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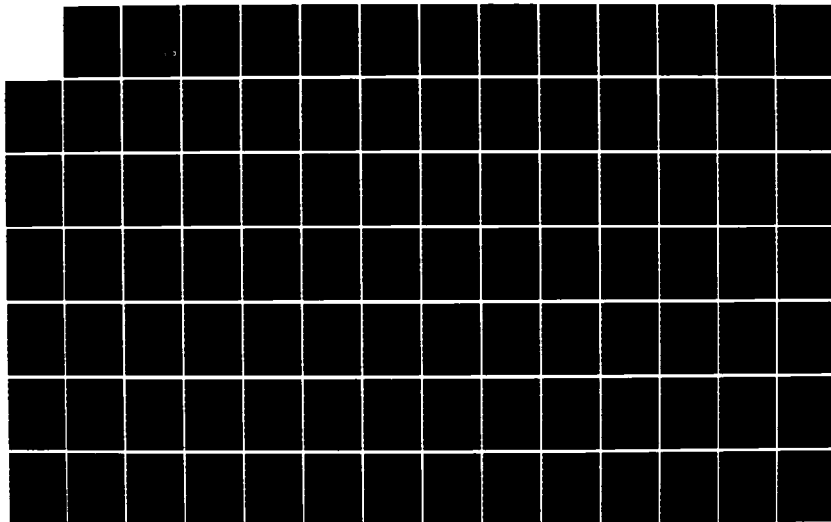
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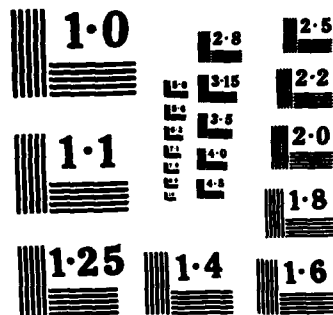
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# MEXICAN TRENDS: THE NEXT FIVE YEARS

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Papers presented at a Conference  
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## TABLE OF CONTENTS:

MEXICAN TRENDS: THE NEXT FIVE YEARS

<u>Paper</u>	<u>Page</u>
An Overview .....	1
Roderic A. Camp (Central College)	
Issue #1: How Will Economic Recovery Be Managed? .....	29
William Glade (University of Texas at Austin)	
Issue #2: What Are the Likely Strategies and Effects of Economic Distribution Policies? .....	54
William Glade (University of Texas at Austin)	
Issue #3: What Are the Political Consequences of Changes in Elite-Mass Socialization? .....	85
Daniel C. Levy (State University of New York at Albany)	
Issue #4: What Will Be the Impact of Changes in Political and Intellectual Leadership? .....	115
Peter H. Smith (Massachusetts Institute of Technology)	
Issue #5: What Impact Will Major Groups Have on Policymaking? .....	141
John J. Bailey (Georgetown University)	
Issue #6: What Are the Implications of Central American Conflicts for Mexican Politics? .....	171
Daniel C. Levy (State University of New York at Albany)	
Issue #7: What Implications Do Border Problems Have for US-Mexican Relations? .....	204
Edward J. Williams (University of Arizona)	
Issue #8: What Factors Explain the Decline of the PRI and Will It Continue to Accelerate? .....	235
John J. Bailey (Georgetown University)	
Issue #9: Is the Role of the Military Changing and What Are the Implications for Civil-Military Relations? .....	267
Edward J. Williams (University of Arizona)	
Issue #10: What Are the Potential Strengths of Mexico's Political Opposition and What Will It Mean to the PRI? Roderic A. Camp (Central College) .....	300

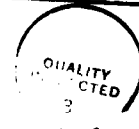
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CROSS-CUTTING THEMES

The following themes have been integrated where feasible, into the substance of each paper:

1. Political Stability
  - a) 1985 and 1988 Elections
  - b) Erosion of Political Skills
  - c) Strength of the Opposition
  - e) Decentralization
2. Economic Viability
  - a) Social Costs of Recovery
  - b) Elite-Mass Views of the Crises
  - c) Strategies of Development
3. Societal Change
  - a) Social Issues
  - b) Values
4. Systemic Legitimacy
  - a) Decline of Political Consensus
  - b) Impact of Corruption
  - c) Changing Role of the President

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"AN OVERVIEW"

MEXICAN TRENDS: THE NEXT FIVE YEARS

BY

RODERIC A. CAMP  
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The difficulty with taking ten major issues and summarizing their significance for important cross-cutting themes is that, as we have seen from the issue papers themselves, nearly all are interrelated. Despite that difficulty, certain issues, at least from short and long term perspectives, have more or less relevance to the five major concerns in Mexico in the next five years: political stability, systemic legitimacy, societal change, economic viability and United States-Mexican relations.

#### POLITICAL STABILITY

Two of the cross-cutting issues themselves are substantially intertwined. Stability is very much a consequence of the legitimacy of a regime, and stability for any society operates within the value system of that society, not from interpretations of outside observers. Not sharing another culture's value system makes it difficult for the foreigner to assess stability, and indeed, might direct him to make serious misjudgements about existing levels of stability. Moreover, to discuss Mexican political stability in the foreseeable future, we must start at a given point, 1985, and suggest changes that might occur through the end of the decade. One way we might use the term political stability, and by no means does a general definition exist, is to define it as the degree to which the political system handles demands through legally (customarily) accepted channels in that society, and the degree to which the value system of the governmental elite, as reflected in their policy actions, corresponds with the desires of the ordinary

citizen.

If political stability is conceptualized in this fashion, several issues appear more relevant, among them: Elite-Mass Socialization (#3); Potential Strengths of the Political Opposition (#10); and Leadership and Change (#4). As Daniel Levy suggests, consequences of changes in societal values, brought about through education and the media, are essentially medium and long term. On the other hand, these changes may have the greatest permanence, and therefore, the most far-reaching consequences for stability.

Basically, the change in values most likely to affect Mexican leadership and political stability is the increasing influence of conservative ideas, or better stated, attitudes reflecting the views of private sector leaders. The most important source of this change among public sector decision makers, at least that we are measuring, is in preparatory and higher education. Not only is the recruitment pattern being altered, one which has existed at least since 1920 in Mexico, but the composition of those in charge of the socialization process itself is changing. A key element in Mexico's political stability in the past has been the homogenizing influence of this educational process. This universal experience among present and future political leaders is disappearing.

Another change, both positive and negative, is suggested by Levy in his assertion that, "The infusion of privately and foreign-educated Mexicans surely contributes governmental expertise, capabilities, and international legitimacy, but it also contributes to changing bases of stability and challenges

to that stability." One of the most significant challenges to the stability of the system is to give a preponderant influence, both real and perceived, to the private sector. Thus, the state is put into a position where a balance between government officials advocating populist and anti-populist policies no longer exists. Channels to those interest groups supporting populist approaches are closed. Most experts agree that an essential ingredient to Mexican stability has been a state which alternates between the influence of one group versus the other, even though in the long run it has favored private sector over populist interests. A significant alteration in this balance threatens political stability. However, this gradual but persistent trend in the socialization of an anti-populist leadership is not likely to reach maximum fruition until the 1994 administration.

An influence on stability likely to be more fast acting than the consequences of changing educational patterns, and to affect the citizenry at large rather than the political leadership, is the media. As Levy cautions, we have to be careful not to overreact to this alleged influence, since the media only seems to be exaggerating existing differences in elite-mass views, doing so on a regional basis. Although Levy downplays foreign media influences in Mexico, I would give them greater importance, ignoring the fact that they reach fewer than 10 percent of the people in any significant way, but stressing the point that the audience they do reach is most crucial to the maintenance of political stability.

Peter Smith carries the analysis of the changing dynamics in



technocratic leadership much further. Essentially, their dominance is growing, but overall, he believes their potential for disrupting political stability to be small in the short run. Smith identifies one exception to this overall conclusion. If insufficient recognition of their importance to and role in the government is not given to the traditional politician in the 1988 election, a crises might emerge. De la Madrid could defuse this problem in another way, one which he seems to be considering, by forcing the technocrat to take on some of the career features and skills of the traditional politician. For example, if he were to pick a presidential successor who had been a governor, such a choice would alter the importance of the national career pattern and give a boost to decentralizing political experience among future political leaders.

The future role of Mexican intellectuals is equally problematic. They have been, on the whole, supportive of regime stability in Mexico, because they have integrated themselves with the state. However, the recent trend among intellectuals is to follow an independent course. With the advent of leftist opposition, intellectuals have a real, but small alternative on the left. Intellectuals have not been attracted to the Right, and as Smith suggests, the Right suffers from a theoretical vacuum. Intellectuals help create, or at least reinforce, the dominant values of any generation. When they join groups opposed to the present political leadership, intellectuals legitimate political opposition. Only if the state insists on a blanket rejection of all opposition demands, an unlikely scenario in the immediate future, would intellectual participation have direct

consequences for political stability.

Of the three issues having a significant influence on political stability, political opposition seems most relevant to the short term, primarily because its effect is immediate and visible. I would argue, therefore, that the electoral arena on the local, state and national level deserve close observation. The 1985 elections are a case in point. Contrary to the impression given in the North American media that the congressional elections were only politics as usual, four important consequences deserve mention. First, the Right continues to reinforce its role as the leading opposition movement. Second, the PRI, overall, gave up a substantial percentage of the national vote, and on a regional basis, control over congressional districts, compared with 1982. Third, the North American media, and therefore the United States, is playing a disturbing role in providing a distorted image of Mexico's electoral process and legitimating opposition's views of it to an elite audience. Fourth, what occurred in Sonora and Nuevo Leon did not reflect, necessarily, what happened elsewhere in Mexico.

The opposition is still very weak in Mexico in that it is pluralistic, regional, and ideologically extreme. On the other hand, PRI's plurality is rapidly declining, and in a majority of districts, if recent trends continue, may decrease below a simple majority in 1988 or 1991. This decline does not signify an immediate collapse of the present electoral system, or PRI's dominance of it; rather it suggests that the electoral process will be much more fluid, less predictable, and divisive. As long

as some give and take occurs in each election, even if voter tabulations do not correspond precisely to reality, stability is likely to be unendangered. The most important measure of voter preference, and the degree to which they are listened to, is not the public claims of the parties following the election, but the cases brought before the Federal Electoral Commission, and their resolution.

#### POLITICAL LEGITIMACY

Legitimacy, like stability, is an ambiguous concept, but there appears to be more consensus on what it means. For our purposes, political legitimacy is the degree to which elites and ordinary citizens support their political system. This can be measured by their loyalty to it and its efficacy in reflecting and implementing the demands of the participants. Seen in this light, the most important issues are: The Decline of PRI (#8), the Management of Economic Recovery (#1), and the Evolution of the Mexican Military (#9)

The concern that PRI is on the decline, in fact, the very recognition of such a decline, as measured by electoral statistics, suggests that a supporting pillar of the political system has less legitimacy than in the recent past. As John Baily suggests, the changing characteristics of PRI, and its effect on system legitimacy, and consequently stability, is the failure of the PRI-government alliance "to channel important political demands through party/electoral mechanisms." Baily identifies several important reasons for the PRI's decline, among them, that it is operating in a democratic electoral arena

quite distinct from that which characterized its origins, its very organizational structure has hampered reforms within the party, and finally, leadership of the party has changed substantially.

PRI's behavior or posture is unlikely to change through 1988. What may happen in the 1988-1994 administration depends heavily on the president selected in 1988. PRI's importance to the legitimacy of the system is critical in the electoral arena. PRI also serves as an alternate channel, at the grass roots level, to the federal bureaucracy. However, there is a tendency to neglect the importance of PRI's contribution to regime legitimacy because scholars recognize a separation between the decision-making apparatus and the government party. I believe, however, that most ordinary Mexicans do not make this distinction.

The most important determinant of regime legitimacy, in my opinion, is the degree to which Mexicans are satisfied, especially middle-class Mexicans, with government programs. Survey data available to us shows a substantial level of satisfaction, even during difficult economic times, with important public programs, especially health and education. In these areas the government has a sizeable reservoir of support. However, it is weak in other policy arenas: public transportation and potable water. I would argue that the government recognizes the deficiencies, and is responding with some allocation of public resources.

The government is most vulnerable, as is PRI itself, on moral issues. Mexicans rank the government's performance as

unacceptable in the area of police and law enforcement. De la Madrid has attempted to alter the government's image, but it seems that the changes have not produced actual results. What we do not know for sure, is how important these issues are compared to a whole range of concerns expressed by Mexicans, such as employment and inflation, and what level of corruption Mexicans will tolerate. We do know, however, that excessive corruption contributed significantly to the loss of regime legitimacy in Cuba, Nicaragua and Iran. Therefore, it cannot be ignored.

The relationship between the military and civilian leadership is important to political legitimacy in Mexico since historically Mexicans have turned to, like all other Latin American countries, the military for leadership. Mexico has the most enviable record of non-military intervention in civilian affairs in Latin America. As Edward Williams argues, there is no evidence that "Mexico's military elites have offered any serious consideration to administering a military coup for more than forty years." It is true, however, that certain events, both internal and external, have caused the military to play a more visible and significant role, whether controlling election violence in the North, monitoring immigration and consequent border problems in the South, or maintaining order in unforeseen natural catastrophes, such as the earthquake.

The Mexican people share an ambiguous attitude toward civilian-military supremacy, and the role the military should play in politics. Whereas the culture has succeeded in creating stronger support for civilian supremacy than in Argentina, a large percentage of Mexicans, at least 2/5's, believe that it is

acceptable for the military to intervene. Although it is more difficult to ascertain Mexican officers' perceptions of their own role, the military itself provides an alternative to civilian leadership, and to the legitimacy offered by that leadership. But as long as they continue to assist "the civilian elites in guarding against significant change," they serve to strengthen rather than weaken the legitimacy of the present system.

Obviously, the well being of the present system in the eyes of its mass and leadership constituencies cannot be divorced from its present economic situation, nor its efforts to improve conditions in Mexico. As William Glade explains, some caution is justified in being optimistic about the recuperative powers of the Mexican economy, not just because of policies which the present administration, and its successor, might pursue, but because of given conditions which will continue to influence the economy's outlook for years to come. It is Glade's belief that the government has shown its willingness, exemplified in the IBM decision, to withstand sharp domestic criticism in order to improve Mexico's integration into the world economy over the long term.

One of the two economic questions which most affect regime legitimacy is the extent to which an austerity policy, even modified, can continue, without exceeding the tolerance of the working classes. The political leadership believes that a margin of tolerance continues to exist. These levels may be reduced by two recent occurrences. First, the government has, for the first time, laid off large numbers of federal bureaucrats, thus

bringing home the severity of unemployment to the middle class. Second, the earthquake has increased the magnitude of the strain on public resources. Another test of legitimacy, as measured by capital flight, is the support provided by the private sector for government economic policies. Capital flight indicates an uneven record for the government in the eyes of the private sector. Like the military and organized labor, entrepreneurs are a crucial pillar of support for continued system legitimacy.

#### SOCIETAL CHANGE

Broad social change is most affected in the long run by shifting values and by a changing consensus on social policies. It is unlikely that the Mexican government will institute any structural changes of a non-incremental nature which will alter mass and elite values in the short run. The issues most likely to have an impact on social change are: Elite-Mass Socialization (#3), Economic Distribution Policies (#2), and Changes in Political and Intellectual Leadership (#4).

Education is the source, equally true of the changes taking place among elites, of the divergence occurring in mass social values, although we have little evidence of what these differences are. Essentially, as Levy documents, large numbers of Mexicans are illiterate or functionally illiterate, the majority of whom live in rural Mexico. In a social sense, Mexico is evolving into two cultures, rather than moving from a rural, traditional culture, towards a cosmopolitan, urban culture. Since the 1940s, urbanization expanded the influence of modernization to many Mexicans, but the argument today is that

the gap between the urban, middle-class culture, and the rural, working-class culture, is sharper. The government has not ignored rural populations, but it has concentrated its resources more strongly in urban areas. Their efforts, ironically, have not produced political support (in the electoral arena) from the middle classes. Quite the contrary, PRI's basis for support can be traced to those groups benefitting least from government policies.

The fact that political and economic leaders are increasingly receiving private education, and foreign graduate training, lends support to the argument that Mexico, similar to India, is developing an elite and a mass culture. The two sets of values have always been closely intertwined in the Revolutionary rhetoric stemming from the 1917 Constitution. As the historical distance from 1917 increases, and as political recruitment shifted to an urban, middle class background, ties to rural, working class values became more tenuous. To a great extent, the only place these values are being sustained among the present political leadership is in the Chamber of Deputies, thus giving that institution greater significance as a formal channel for communicating mass values and general societal concerns to the leadership.

In addition to analyzing changing Mexican social values from a mass-elite standpoint, they can also be examined from the view of national versus regional values, encompassing all social classes. One of the advantages of a national public educational system, especially the case of higher education in Mexico City, was its role as a creator of national as distinct from regional



values.

Decentralization of decision-making authority, resources, and institutional structures has many benefits, but one obvious risk is the degree to which regional values will be strengthened at a time when national loyalties have not achieved their full potential. Moreover, as William Glade suggests, the government is constrained in the amount of funds that can be committed to decentralization projects. The fact that the ideological Right controls the electronic media system, which may reinforce its tendencies, and that political opposition parties are strong regionally, but not nationally, reinforces the consequence of transferring regional frustrations into the political arena. The opposition parties will capitalize on center-periphery conflicts, and the most immediate consequences will show up in elections in 1988 and 1991, just as they did in 1985.

The trends described by Peter Smith among technocrats and intellectuals only serve to exacerbate the differences in values between the masses and the elites and the center and the periphery. This is the case because intellectuals, who would function as important sources of values and could serve as a communication bridge between elites and masses, are themselves more elitist in their characteristics than the politicians they criticize. Their family background and education further separates them in style and content from the traditional, rural values than is true of politicians or military officers.

Moreover, intellectuals are equally guilty of centralization of resources. They cannot provide regional leadership because they themselves are alienated from regional

values and preferences, and are very much ignorant of what is important to those groups. Thus, they have not only distanced themselves from the peasant, but from the incipient, local intellectual, who does not identify with the national, urban values present among Mexico City intellectual circles.

Values being taught at the private schools, regardless of level, correspond more closely to those shared by the private sector. Indeed, the Church is increasing its role in the formation of social values among the educated population, an activity it monopolized before the mid 19th century. This pattern in itself may revive a major social issue in Mexico, the increasing role of the Church in education and in regional politics. The Church was charged with the latter activity in the Sonoran elections of 1985.

The Mexican government has not only used public education as a means of socializing elites and masses, but its own posture as expressed in economic and social policies act to help form the views of several generations of Mexicans. The consistency with which it supports a particular goal legitimizes certain values. For example, the government's commitment to the expansion of public education has created widespread expectations among ordinary Mexicans that their children will receive a better education than they themselves acquired. Citizen support for the political system is in part a consequence of the government's creation of these values.

In the same way, the government legitimizes certain types of distributive economic policies. It has even been responsible for forming the social views of the populace towards specific

political actors. It seems clear, for example, that while the government has worked closely with the private sector for many years, in fact favoring its interests over those of labor, it repeatedly accuses the private sector of being the "bad guy," thereby contributing to the Mexican private sector's low level of legitimacy.

The other danger to the homogenization of Mexican social values and attitudes towards social change stems from the large dose of values learned abroad. Foreign values, of course, are mostly confined to elites, although it would be worth examining the effect of living in the United States on the values of illegal aliens who return to Mexico. There are positive benefits of foreign values, as Smith and Levy suggest, but it seems fair to argue that at present, Mexican national values, even those confined to the urban middle-classes, have more in common with Mexican regional values than with United States values. The influence of foreign values, however, especially in the realm of politics, already is playing a role in northern Mexico, exacerbating differences between the political culture of the center and the periphery.

#### ECONOMIC VIABILITY

Among the issues economic viability addresses are the differences in elite-mass views of the crises, the ability of the political leadership to sustain a given program, the social costs of recovery, and the strategies of development pursued by the federal government. Those issues most relevant to the larger question of economic viability include: The Management of

Economic Recovery (#1), Likely Strategies of Economic Policies (#2), Leadership and Change (#4), and Major Groups and Policymaking (#5).

Mexican economic viability relies on many conditions. Some of these problems will not be resolved, in the short run, by government policies. The skill with which the political leadership handles its policy choices, and the level to which those choices are tolerated by various Mexican groups, will also affect Mexico's economic health.

To Professor Glade, the most important restraints affecting economic policy choices, and the ability of the system to recover, are the level of growth in the economically active population in the next fifteen years, and the youth of that population. Glade is also concerned with the quality of the work force, and the increasing costs of education and health care for larger numbers of Mexicans. From an economic point of view, the Mexican government, at least through 1988, and probably longer, is committed to large, fixed expenditures in health and education. Politically it is equally committed because these are the very areas to which Mexicans give high praise to the government.

Of course the other restraint which looms permanently on the scene through the end of this century is debt repayment. The foreign debt has gone through several restructurings, and as is well-known, the most recent of these in the fall, 1985, has taken place with the recognition that Mexico and the other debtor countries cannot successfully conform to IMF guidelines. So far, Glade's prediction that such restructurings are

temporary solutions to Mexico's problems has proven correct.

In turn, the role of oil as a key to economic viability, is problematic at best. Mexico's excessive reliance on oil exports distorted what was once a fairly diversified export economy by third world standards. Projections for oil price increases are not reliable. At least through 1988, and probably the mid-1990s, increased oil prices or sales are not likely to provide significant additional help to Mexico's economic program.

However, overall Glade gives favorable marks to the direction of de la Madrid's economic decisions, at least in the area of trade policy. Among the noteworthy decisions are those favoring phasing out of import licensing, relaxation of price controls, and most important, increasing foreign investment, exemplified in Mexico's reversal of an initial decision to turn down the IBM project,

The government's management of the economy since 1982 has generally been good, if somewhat mixed. As Glade points out, initial optimism was unwarranted; Mexico has been unable to sustain its goals for reducing inflation and stopping excessive capital flight.

The government's less than satisfactory record in bringing about the conditions favorable to complete economic recovery raises the question as to whether or not it has the political skills to accomplish that goal. It must do so at two levels. It has to improve its communications with the private sector. In order to stop capital flight it has to revive confidence among the private sector. But the state cannot move too far in one direction. It must sustain a careful balancing act among the

various interest groups, especially private sector organizations and organized labor. It must also continue to court the support of urban labor.

Political technocrats, especially those who favor non-populist policies, may have limited political skills. The first three years make it clear that despite wanderings in different directions, the de la Madrid administration has managed to strike a tenuous balance, and to sustain its policies in the face of severe criticisms. I believe that its reservoir of legitimacy is such that it still has a margin for error through the 1980s. Equally important is that the political leadership, while on the defensive, believes it has the capacity to overcome the present crises. Its own self-doubts may be the most critical short-term influence on their political capacity to ensure economic recovery.

In measuring the importance of sustaining good communications with the three critical groups; business, the middle-class, and labor, the government has been most successful with business, at least from a political angle. Nevertheless, businessmen are not demonstrating faith in Mexico's short term economic future. The educated middle-class will increasingly have more problems with economic austerity, as job layoffs in the public sector affect their standard of living. The consequences of the earthquake will not help this situation. Organized labor now is in a position to demand wage increases, and even the private sector recognizes this. The government will have to keep salary increases at a certain level to maximize the results of its prior economic policies.

## MEXICAN-UNITED STATES RELATIONS

The physical proximity of Mexico to the United States makes it difficult to divorce any issue, no matter how domestic, from its impact on relations between the two countries. Of course, the two issue papers which concern themselves with Central American Conflicts (#6) and Border Problems (#7) are intertwined with government to government relations on a wide-ranging agenda of issues. But the concept of Mexican-United States relations, in my opinion, should be extended to other levels, including actors who are not representative of or responsible to the two governments. If we think of relations in this broader context, then I think it is worth adding the Potential Strengths of Political Opposition (#10) to this discussion.

As the elections of July, 1985 demonstrate, there has been a keen interest on the part of the North American press, and consequently, its readership, in Mexican political activities. As all foreigners are wont to do, Mexico was judged by every major U.S. paper, including the Washington Post, on a United States value system. More importantly, outrageous claims of syndicated columnists, such as Jack Anderson, continue to be reported without editorial response or evaluation. Because our sources about Mexico are limited, academics and government officials naturally rely on press reports, especially from what we consider to be the more prestigious news sources.

Reports in the United States press covering the 1985 elections ignored the most important trends emerging from those elections, presenting local experiences, without verification,

as accurate reflections of national electoral behavior. Of the more than 60,000 Mexican polling stations, only 600 reported actual fraud. Opposition claims have been heavily criticized by the Mexican press itself, but similar scrutiny has not been given in the North American news media. A growing sense of nationalism, with some antagonistic characteristics, is emerging in Mexico in response to United States media coverage, to United States ambassadorial criticisms, and to North American intellectual interpretations (exemplified by Alan Riding's book).

On the other hand, it should not be forgotten that United States opinions of Mexico, especially in the media, act to legitimize certain Mexican viewpoints. In the electoral arena, the National Action Party has benefitted most from this publicity. The National Action Party has made effective use of the media, in contrast to the Left, to legitimize its position and criticisms of the PRI. It is self-evident that most of its criticisms are true, what is not self-evident is the extent of its claims regarding electoral fraud, or its publicly stated belief that its support is extensive throughout Mexico.

A range of foreign policy interpretations affect United States-Mexican relations. One of those stressed by Daniel Levy is a concern that United States officials do not give sufficient weight to how Mexico uses its international relations with leftist countries (Cuba and Nicaragua) as a means of increasing their influence with and support from leftist groups within Mexico. Mexico has skillfully manipulated an independent foreign policy to sustain its own domestic legitimacy. Mexico believes



that the United States emphasis on the Central American conflict as an East-West confrontation is erroneous. The government is concerned that our policy will contribute to regional instability and consequently domestic instability.

Another issue, not part of the agenda of normal border problems, is the repayment of the national debt. Political pressures have been building up during the summer and fall of 1985 against debt repayment. Bolstered by a similar mood throughout Latin America, opposition groups, particularly on the left, both in and outside of the Chamber of Deputies, have sparked criticism against repayment. The United States cannot help but to be drawn into this political issue because of the severe economic and political consequences for both country's financial systems. Of all the immediate issues with nationalistic overtones, possibly excluding the illegal alien issue, debt repayment looms most difficult on the horizon of the relations between the two countries.

Finally, Edward Williams identifies many of the border issues which directly affect relations between the two countries. Some have regional more than national consequences for both countries, but most important of these, because of its ultimate affect on economic recovery, and consequently regime legitimacy and stability, is the as yet unresolved question of illegal immigration. The pattern in Mexico is clear, whole communities, as far away as southern Oaxaca, are crossing the border, going as far north as Washington state, to work a variety of temporary and semi-permanent jobs. Their remittances southward feed income directly into those regions most adversely

affected by the faltering economy. Their employment across the border considerably reduces social pressure on the political system. But in the long term, skills among these most innovative of poor rural and urban Mexicans, will be necessary for Mexico's recovery. This border issue is one in which the United States government can play a significant educational role to moderate emotional, racial and ignorant responses to a problem. A supportive position on the part of the United States government, both for practical and nationalistic reasons, will contribute to positive relations and to an environment favorable to economic recovery, political legitimacy and stability, and long-term societal change.

#### SCENARIOS

Possible scenarios one might imagine for Mexico during the next five years and beyond are many. If nature intercedes, as it has done with the earthquake, and as in past, with drought, important economic variables will take on added importance. I would argue, however, that a reading of all the issue papers, and the conclusions of the research team, ultimately suggest only two likely possibilities through 1990. Both of these alternatives are intimately tied to Mexico's economic health. Each is a solution to and a consequence of the politics necessary for economic recovery.

The first scenario, and the most likely, is one following the present model. As we have seen from Professor Glade's evaluations, economically, the de la Madrid administration will lean towards the more traditional, liberal economic approach. It

wants to encourage the revival of the private sector, to make it more efficient, and to raise it to a level of international competition with an entry into GATT, but without giving it increased political clout, especially in the electoral arena. As several of the papers suggest, the present administration is not sufficiently strong politically, nor is its ideological commitment so pure, that it is likely to follow the path of a true believer. Thus, although committed to an austerity program, the government continues to take one step backward for two steps forward each time it pursues its developmental strategy.

The Mexican state has survived by serving as an arbiter among competing interests, which can be crudely separated into pro and anti-populist groups. Whereas the historical record demonstrates that the interests of the private sector have been preferred to those of the working classes, especially the peasantry, organized mass interests have received sufficient benefits, or at least they have perceived that to be the case, to give their support to the system. One should expect, therefore, that Mexico's persistence on the liberal economic path relies, most heavily, on the cooperation of the urban labor organizations. Without denying this need, I would argue, as has John Bailey, that private sector satisfaction is more important to the political equation in the next five years. High unemployment through the rest of the 1980s gives organized labor very little leverage. On the other hand, availability of capital, a private sector weapon, is essential to successful economic recovery.

Statistics make clear that a high level of capital flight

persists despite the efforts of the government to demonstrate its commitment to an austerity program and policies favorable to the private sector. The private sector is obviously not satisfied with government policy to date. Entrepreneurs' feelings are mixed. Their level of confidence in the government, measured by the extent of capital flight, suggests that they do not equate what the government has said it will do with what it actually accomplishes, or they themselves have already lost confidence in their own ability, and that of the Mexican economy, to initiate a permanent recovery. Thus, the central political issue which explains the ability of the Mexican government to insure economic recovery, is confidence, and confidence relies on the private sector's perception of regime legitimacy, as well as of its own legitimacy.

A second scenario would describe a model emerging from the tried and true Mexican policy of balancing group interests. One might argue that by 1988, more Mexicans would be ready for a regime favoring popular interests. The pendulum tactic in Mexican politics moves into action when decision makers perceived the private sector becoming too strong among all contending parties; or those members of the governing elite, who themselves have an ideological commitment to a larger public sector role, reach power. Glade, for one, does not believe this scenario likely, unless those "who favor the whole transformation of Mexican policy into a centrally planned economy model" take charge. In 1985, however, the structural constraints are different from years past. The more likely cause of a populist scenario emerging, in which an economic policy of

deficit spending is followed, will occur by political default.

Once again the private sector will be the key actor. If the leaders of this sector continue to invest abroad as more of them actually take up residence in the United States, and this flow of capital and human resources does not reverse itself, it will snowball. The irony of the situation is that the private sector will be decisive in making the liberal, capitalist model work, or ensuring that an opposing populist alternative replace it. If entrepreneurs abandon Mexico, for whom there is no replacement, they create a political vacuum among the traditional contending interest groups, thus altering the formula for political stability. Equally important, they remove capital resources, and the emotional confidence necessary to attract those resources domestically and externally, critical to economic recovery.

Of the cross-cutting themes, as Smith and Levy note, societal change is the least important for the short term. The most important is Mexican economic viability and political legitimacy. One will not be achieved without the other. Political stability, on the other hand, relies on the achievement of economic growth and systemic legitimacy through 1990, and on societal change in the next decade.

Relations with the United States will become increasingly difficult as economic recovery and political legitimacy lag, signs of which are already apparent. The reasons for this are several. The present administration is as pro-North American as any in recent years, yet the United States has not always facilitated an image of good relations. At the same time, in lieu of achieving domestic solutions to its problems, reliance

on Mexican nationalism is growing, both on the part of the political leadership and the population in general. As private sector refugees flock to the United States, they will use the United States media as a forum for their accusations and complaints, as they have already done so in the Wall Street Journal.

The United States government will increasingly find itself in the difficult position of having to defend the legitimacy of the political system, or siding silently or openly, with its critics. If it decries Mexico's systemic legitimacy, it makes economic recovery, following the first scenario, more difficult to achieve, thereby increasing the potential for the second scenario. If it supports the regime, it condones all those weaknesses accompanying any incumbent system. Mexican politicians already are expressing a feeling of being undermined by the United States and our news media.

Of all the existing or potential bi-lateral issues, the two having the greatest impact on the developmental choices and the political legitimacy of the regime are the debt and the illegal immigration issues because of their direct, large-scale economic consequences. There must be a constant willingness to renegotiate the debt. Instant barriers to the entry of Mexican workers into the United States will be counterproductive to Mexico's economic recovery and political legitimacy.

Our authors are all in agreement that no radical political solution external to the present system, from the Right or the Left, is in sight through 1990. Nor is it likely that any change from within, initiated by or with the collaboration of the

military, will occur. But whatever the makeup of the regime through 1990, or its policy orientation, it mostly will be determined by the behavior, attitudes and pressures brought to bear by the Right, not the Left.

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ISSUE #1

"HOW WILL ECONOMIC RECOVERY BE MANAGED?"

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## Introduction

During the 1970s Mexico's economic growth became significantly more unstable than it had been for a considerable number of years. On balance, though, it averaged out at an impressively high level, thanks to the substantial infusion of additional external resources that came from booming oil exports and heavy foreign borrowing. Resumption of a high growth rate led many to believe that the crisis of confidence that developed in the late Echeverria administration was episodic. Lending and investment both rose markedly. The result was that the severe economic set back of 1982-83 was even more traumatic, with real GDP declining 0.6% and 5.3% (the revised figure) in the two consecutive years, for the first time in a half-century. However, the subsequent recovery to a 3.5% gain in real GDP in 1984 and the relative smoothness of the negotiations that led to successful restructuring of the foreign debt once again reinforced the special confidence Mexico has enjoyed for years in the international business community. There are reasons to believe, though, that notwithstanding the undeniable strengths of the Mexican economy, adverse conditions may dampen the prospects for recovery for the balance of the 1980s, exacerbating relations with the U.S.

## Population and Labor Force Growth

Part of the reason for caution in judging the recuperative powers of the Mexican economy stems from the simple fact that each year the number of people entering the labor force will continue to be substantial--and unemployment, both disguised and overt, is already a problem.

It is true that the demographic growth rate has eased off the highs attained in the 1960s, when it reached around 3.5% per annum. Some estimates show that by the the early 1980's this figure had slipped to 2.6%. It is reasonable to expect the rate to drift downward for the years ahead, reflecting the drop in the crude birth rate that showed up in the 1970s and a tapering off

of the decline in mortality rates. Nevertheless, owing to the shape of the demographic structure, with around 54% of the population under twenty years of age, the teenage segment contains at present the faster growing groups. For a goodly number of years this ensures that substantial additions will be made annually both to the potential labor force and to the cohorts of women in the child-bearing years. What with the likelihood that unemployment and underemployment levels will continue to hover at relatively high levels on account of the annual flood of new male entrants into the labor force, any increases in the participation of women in the economically active population should remain at a fairly modest level in the five years just ahead. This, in turn, will probably tend to stall the drop in birth rates.

We shall return in another paper to some of the other problems associated with this basic constraint, but its implications for matters of fiscal policy need to be taken into account here, especially the effect this situation has on reducing the downward elasticity of demand for various categories of public investment and social expenditure.

The percentage of the population of 10 or more years of age who completed primary school grew from just under 25% in 1970 to almost 32% in 1980, raising the total number of primary school students from 9.2 million to 15.4 million in the respective years. At a higher and more costly level of the educational structure, change was even more dramatic. Contrasted with 1970, when there were 1.1 million secondary school students and a bit over 9% of those in the 10-years-and-older category completed secondary school, 1980 counted some 3.8 million students at this level, with a significant drop in school leavers. Nearly 24% of the population of 10 years or more of age are reported to have completed secondary school in 1980. Enrollments in universities and technical schools soared in the same decade. The absolute numbers in all these categories

have grown in the 1980s with the total in the 6-17 age bracket rising from 21.7 million in 1980 to 24.1 million in 1984. This can be expected to continue to climb for the balance of the decade. That various demographic rates have begun to slip downward will not, over the next five years, alleviate very much either the growing school-age population or the increases in the labor force.

Thanks to these changes, federal expenditures on education have reached a quarter of total planned spending by 1985. Health services, too, have grown rapidly in recent years, the number of public hospitals and clinics having increased from 4,996 in 1980 to 10,556 in 1982, years during which social investment in the health sector was a particular priority. What these figures mean is that the federal government may be able to pull back a bit from new capital outlays in education and health but that current expenditures in these fields will look very much like a fixed cost from now to 1990, one that will not likely fall in real terms and may even rise. Demand for such public goods tends to be ratcheted: it may be possible to slow the rate of increase but it is simply not politically feasible to retrench. Given the severe economic hardships the electorate already confronts, it would be especially difficult politically, and unwise from an economic point of view, to damage population aspirations (and human capital formation) further by curtailment in these sensitive areas. To do so might jeopardize political stability as people would see, in addition to current hardships, their hopes for the future (i.e., their children's careers) also being undermined. Further, since the opportunity costs of schooling are also lowered in a period of crisis, cutbacks would reduce the quality of human resources (a) at a time when it is, in real terms, cheapest to upgrade them and (b) at a time when the skills requirements of Mexico's future development place increasing demands on just these types of social overhead capital.

Disinflationary policy, therefore, will have to focus on cuts elsewhere in the budget, including, therefore, areas of spending that might, on account of their direct employment impact, help alleviate the substantial, and possibly growing, volume of under-and unemployment. Only partially can employment-generating outlays be maintained by concentrating budget cuts in the large capital-intensive projects that have a smaller direct impact on employment. This being the case, the end of the decade will, in all likelihood, leave Mexico with substantial employment problems even assuming a gradual recovery of aggregate production levels. Other consequences follow as well. For example, for all the continuing talk about the decentralization of economic activity, whatever changes may be effected will of necessity be exceedingly marginal. The fiscal situation allows for little discretionary new spending to lay down a geographically broader base of economic and social overhead capital, the infrastructure for encouraging a different geographical pattern of private investment. Moreover, what the government can do on the spending side, either to alter the distribution of income or to press forward with the deepening of industrial structure (i.e., into more capital intensive but less employment generating lines), will be no less constricted. It need hardly be added that, confronting these circumstances, the government will doubtless display a heightened sensitivity--a real touchiness as it were--to any U.S. efforts to stem the rising tide of illegal migrants being driven northward by desperation or attracted northward by the ever more extensive "facilitating networks of contacts" formed by earlier waves of migrants.

#### Debt Management

Up to quite recently, Mexico looked to be the stellar performer on the Latin American stage so far as concerns managing its affairs in a way that would enable it to handle a gigantic foreign debt. The initial adjustment program evolved during and after 1982 is sufficiently familiar that we do not need to

present it in any detail. We can, however, review its main features to see how they square with what has developed of late and to assess how compatible they are likely to be with the circumstances of the next five years.

The first important policy achievement, reached through a series of negotiations, was restructuring the foreign debt, the public share of which had risen from \$58.9 billion to \$66.9 billion with the banking nationalization of September 1982. The private external debt, which was, of course, handled separately, was \$18 billion at the end of 1982. To show how far the country has come in weathering the crisis, two things need to be kept in mind about the 1982 debt. First, it represented 87% of the GDP, a higher percentage even than either Argentina (60%) or Chile (75%) and far higher than Brazil (26%), whose total debt was around the same size. Second, of the aggregate Mexican external debt of \$85 billion, \$25 billion was classified as short term. Clearly, something had to be worked out--and worked out quickly.

The current administration began at once to devise an IMF-approved plan to halt the deteriorating situation. The three-year stabilization program negotiated with the IMF was subject to no little public criticism, but, as compared with Argentina and today's Brazil, discontent was kept at arm's length from the policy process itself while the debt was being renegotiated. Although the general resentment the procedure left among much of the intelligentsia and in influential political circles has remained to afflict the resolution of other matters on the policy agenda (e.g., export promotion and investment rules), it paved the way for new accords on the pressing issue of the external debt repayments profile. Thanks to this, restructurings of the external public debt servicing and repayment schedule have provided important relief to the country through 1985 and helped in the recovery of international reserves. Approximately \$20 billion of debt was rescheduled in 1983, while in spring of this year an even larger amount, just under \$49 billion, was rescheduled,

including some that had gone through the earlier rescheduling. Strictly speaking, the agreement signed this past spring covers \$28.6 billion in loans, but the remaining \$20.1 billion in restructurings, in renegotiation now, will be modeled after the agreements signed in this first stage.

This latest restructuring stretches the amortization of principal over 14 years, though for the current year alone this still obliges Mexico to come up with an estimated \$11-12 billion in interest payments and another \$950 million on principal beyond the \$250 million repaid earlier this year. Agreements currently in force leave the government burdened with relatively high external payments for several years, mainly for interest, but multi-year principal deferrals have taken some of the stress off the balance of payments position. Different official sources yield slightly different projections but according to one recent study from the Ministry of Finance and Public Credit, payments that would have totaled \$51.87 billion for 1986-90 have now been reduced to \$15.87 billion. Very much higher payments than were formerly due are, of course, in prospect for the years after 1990, which is one of the several reasons that the restructurings effected thus far are merely "a step in the right direction", as the Finance Minister has put it, rather than a definitive resolution of the problem.

A couple of other features of the restructuring should also be kept in mind. One is the tying of more of the interest rate structure to LIBOR rather than to the U.S. prime rate. This together with negotiated reductions in the differential above prime and LIBOR will, according to the Ministry of Finance and Public Credit, save some two billion dollars in the 1986-90 interval. In addition, a basis was established for converting part of the debt, a portion of that held by banks outside the U.S., from dollars to other currencies. The effect of this process, now in the process of implementation, should be to diversify the risks Mexico has faced in its overwhelming dependence on the value

of the dollar and U.S. interest rates. Chiefly this option has involved banks in Japan, the UK, France, Canada, and Germany, but significant amounts are also involved for Switzerland, Italy, and Belgium and, in lesser measure, the Netherlands and Austria. (On the other hand, any significant weakening of the dollar may undercut the benefits of this re-denomination.)

All of these developments have served Mexico in good stead up to this time and should continue to favor the country's external position for the rest of the decade. Further, by considerably lengthening the maturity structure of the debt, the renegotiation process has established a greater convergence of interest between the country's creditors and national policy-makers. Both have to look beyond the current crunch to whatever coherent set of policies will reactivate production and enhance the long-term vitality of the economy, an interest shared by most foreign direct investment as well. As the 1990s approach, however, with their projected higher servicing and amortization schedules, it is altogether likely that the pressure will build for yet another stretch-out period and for further interest relief. There may even be a repetition of the involuntary lending exercises of the recent past, though with much more difficulty than hitherto since regional U.S. banks have already evinced a growing reluctance to maintain, let alone raise, their country exposure. It is, in fact, probable, as we shall see, that the Mexican view that voluntary-style external funding will resume as a reward for the country's generally creditable performance will prove to be unfounded.

Adding to the complexity is the fact that apart from the twice-rescheduled public debt, there is the problem of a sizable external private debt, of which almost \$14 billion has been refinanced through the innovative FICORCA scheme. The servicing schedule for this private external debt appears to require some \$10.87 billion for 1986-90, but with the end of various grace periods by 1990, a resumption of principal payments should require heftier outflows in the years



thereafter. This fact will not be lost on the country's creditors and will add to the uneasiness with which they approach the next decade. The figures have been impossible to come by, but it does not appear that any substantial segment of the private debt has been converted into equity and thus taken out of the scheduled repayment process. Presumably, too, some \$3-4 billion of IMF resources advanced during the 1983-85 stabilization program will have to be "amortized"--as, formally, an exchange of reserves--during 1986-89, though, fortunately much of the SDRs remain undrawn as of now.

Doubtless it was in the expectation that 1985-90 might well require further significant adjustment of the debt structure that economists and debt negotiators from Mexico met in July of this year at Oaxtepec with their counterparts from other Latin American countries to explore new avenues of debt relief: e.g., reduction in the loan-loss reserve requirements that discourage banks from foreign lending, more flexibility in capitalizing interest deferrals, capping debt service payments at a percentage of export earnings, and so on.

Behind the vagaries of refinancing and the apprehensiveness of the locked-in foreign lenders is a generally good but nevertheless mixed record of macro-economic management. Through much of 1984 it looked as if Mexico had been making substantial progress in overcoming its main problems, and a considerable number of observers thought that the country would, in 2 or 3 years, have moved much closer to its long-term growth trend of a 5-6% annual increase in real GNP. Most notably: the public sector deficit, as a percentage of GDP, had been reduced from 18.8% in 1982 to 8.5% in 1983 and brought down further to about 7.6% in 1984 (a figure well above the target); inflation was tamed from 1982's 99% and the 102% of 1983 to just over 65% in 1984; and real GDP, after falling in 1982 and 1983 managed to rise by 3.5% in 1984. The inflation figures were also off-target, but particularly heartening was the fact that in 1984 real

output gains were registered in manufacturing, agriculture, and service exports (cross-border trade, in-bond plants, and tourism). For the first half of 1985, the economy picked up additional steam and was moving ahead at around a 6% annual growth rate--too fast, as things turned out.

More recently, however, the Mexican record has begun to look somewhat tarnished, on account of factors important to consider in assessing prospects for the next five years. In late 1984, for example, fiscal austerity began to weaken and it was clear that still greater budgetary control would have to be applied to state-owned enterprises, relatively few of which had been in any significant degree privatized (or reprivatized). As mentioned above, the deficit/GDP ratio was above the originally scheduled target, as was the inflation rate, and, worse yet, the continuing high level of inflation was not adequately reflected in the exchange rate--despite the country's unhappy experiences in 1975-1976 and 1981-1982 with the consequences of an overvalued currency. What with the return of unrealistic foreign exchange rates and the still fresh memory of the 1982 imposition of exchange controls and the partial confiscation of the real value of dollar deposits in Mexico (the so-called Mex-dollars), the evidence suggests a renewal of capital flight. By mid-year Mexico's foreign-exchange reserves had fallen 2-3% from their level at the end of 1984. Though the rate of daily devaluation was stepped up in December of 1984, so little headway had been made in dealing with inflation that a further acceleration of devaluation soon proved necessary and by the middle of this year another "maxi-devaluation" had to be implemented. In any case, few serious observers can be found who think that in 1985 the inflation rate can be reduced to 35% and the deficit cut to only 5% of GDP. Just as the ill-fated legacy of fall, 1982, virtually assured capital flight for the indefinite future, the failure to maintain deflationary policies until the rate of price increase could be brought down to that aimed for in the stabilization program will nourish

inflationary expectations for the balance of the decade, exacerbating the problem of capital export, creating additional uncertainty over the exchange rate, and inhibiting business planning for export-led revival.

#### Petroleum Constraint

Oddly, in view of what has happened of late, one of the distinctive features of Mexico's successful development, before the mid-1970s, was the country's diversified pattern of exports, a feature shared only by Peru for at least a good part of the time. However, the very factor that made the 1970s so exhilarating--the petroleum boom--was also the factor that undid this traditional source of external strength. For better or for worse, the success of the economic recovery program is tied closely to the uncertain fortunes of oil, which now accounts for about three-quarters of Mexico's foreign currency earnings of approximately \$21 billion. Oil also accounts for 50% of the government's revenues.

What this constraint will mean for the five years ahead is difficult to foretell with any exactitude, but there seems to be little grounds for believing that petroleum exports will prove a source of strength. Just recently, for example, Mexico has had to cut the price on its oil sales and has also experienced a drop in the volume of output, chilling the hopes of those who hoped that the country's considerable wealth in liquid hydrocarbons would provide relief for the debt burden. Heavy crude was reduced in price in June by \$1.50 per bbl., bringing it to \$24, while in early July it was cut further, to \$23.23. At the same time, the price of light crude (35-40% of exports) was slashed by \$1.24, lowering it to \$26.75 for the U.S. market. Depending on the light/heavy mix and the mix of regional markets, in each of which the prices are slightly

different, (1) these cuts could pull down export earnings by \$540-780 million, assuming no change in production. Indeed, these reductions already raise the prospect not only that the long-term debt will have to be renegotiated but also that there will be a more than was expected need for additional short-term financing. Should the average price fall to \$22 per bbl., for example, the \$1 billion of new loans that Mexico will likely have to obtain from banks could double. Besides the price weakness, the oil glut has also meant some loss of customers so that oil shipments have dropped to their lowest level in four years. Japan, for example, recently took account of this situation by demanding a reduction in oil prices. Spain went further and suspended purchases.

According to some calculations, a drop in the price of oil to \$20 per bbl. could cost Mexico almost \$4 billion, some 28% of its earnings from oil last year. Since IDB estimates show that the country's major non-fuel commodity exports may average only 3% higher in 1987-90 than they did in 1984 and will be the same that year as in 1986, developments in the offing for petroleum will take on a special importance. What, then, of the future?

In its authoritative World Economic Outlook: April 1985, the IMF concludes that "it is not possible to make a projection of the price of oil with any degree of confidence" (p. 141) and notes that "the price is potentially very unstable" (p. 142). Hedging its forecast as tenuous, the IMF report suggests that the price of oil may remain unchanged, in real terms, through 1990, largely on the assumptions that a) energy conservation and oil-substitution effects may tend to diminish and b) non-OPEC oil output may increase at a "slower pace than in the recent past".

1 In an effort to diversify its export markets, Mexico has set discounts on sales of oil destined for Asia and Europe, the latter receiving the lowest prices. The U.S., which pays the highest price, takes about half of Mexico's oil exports, and all of its natural gas exports.

For a number of reasons besides the disarray in OPEC, caution in assessing Mexico's future might argue for a somewhat more pessimistic scenario, with the possibility that oil prices may average \$23 by next year and go lower after that. For one thing, the long-hard winter of 1984-85 in both Europe and the U.S. helped boost consumption of oil, as did the protracted strike in the British coal industry, which propped up the demand for heavy oil in particular. Should the weather resume a more normal course and labor peace prevail in the British collieries, two of the factors that heretofore helped maintain the price level will be missing. A third factor in price maintenance has been the sharp cutback in OPEC production, particularly by Saudi Arabia, and it is by no means clear that this substantial unused production capacity will remain idle in the face of a) mounting pressures on several OPEC states to raise output and b) cheating by the OPEC members. Ecuador and Nigeria, for example, are already asking for higher OPEC quotas (and, apparently, selling above the quota limit even now), and Saudi Arabia and Kuwait may in time need to try to increase sales as well.

Since a fourth price-sustaining factor, the Iraq-Iran war, may quite conceivably move to resolution before 1990, additional supplies are likely to be shipped from that source, too, eventually. Considering that the UK, the USSR, Norway, Malaysia, and Egypt have decided not to curtail exports and, in fact, to step up production, and that fairly significant new oil finds have materialized in Colombia and Brazil and additional output seems to be in prospect for Argentina, the rather slow pace of global economic growth would appear to raise the distinct possibility that Mexico might find its petroleum price slipping downwards in the next few years, obliging it to accelerate production and exports in an attempt to offset the drop in price. In any event, the situation is sufficiently problematic in respect of petroleum that both debt management and fiscal policy are likely to feel the impact well before the end of the

decade arrives, probably in the next year or two. There is some evidence that banks are already beginning to feel a bit skittish about the outlook.

### Trade Relations

Important as it is, the petroleum sector is by no means wholly determinative of Mexican development, so it behooves one to review the prospects for the rest of the external sector. Again, the picture looks mixed, or at least certainly far from assured, quite apart from the serious adverse impact on the important tourist industry that has been occasioned by the perceived rise in the level of violence in Mexico.

During the Lopez Portillo administration the truculence of an influential segment of the Mexican policy community defeated the proposal to join the GATT and even prompted an ill-conceived and costly defiance of structural conditions in the international oil market. Nevertheless, there was later hope that, amidst the worst days of the crisis, the design of policy would be decisively revamped in favor of a more open-economy model of growth. The strategy of the 1970s had, after all, focussed on massive capital projects ("mega-projects" they were sometimes called) that were heavily dependent on imported materials--e.g., petroleum installations, steel mills, and electrical power plants. Official thinking was also running strongly in favor of deepening the country's industrial structure (into capital and intermediate goods production) by pressing forward with a second wave of import-substituting industrial policy, a strategy that would have had to reckon with high import coefficients of investment outlays for a number of years. Inasmuch as none of this looked feasible under the radically changed conditions of the early 1980s, the chances seemed promising that Mexico's vaunted policy tradition of pragmatic adaptability would reassert itself. It may be going too far to say that, instead, Mexico's policy has become increasingly totemistic, but on a number of counts the country has not shown quite the commitment to the new orientation one

might have hoped for.

It cannot be denied that significant headway has been made. Among such corrective measures, for example, was the liberalization of price controls over broad sectors of the economy. Price restraints were lifted, at the outset of 1983, on some 4,700 items of the 5,000 that had been placed under control by the time Lopez Portillo left office. The process stopped considerably short of comprehensiveness, as, to protect consumers in the face of severe inflation, the controls remained on around 300 "basic" items: e.g., rice, sugar, corn, cooking oil, eggs, detergents, washing machines, primary petrochemicals, and so on. Even though some predictable problems have arisen, involving short-term diversions of productive factors to non-controlled fields, the move was clearly a step in the right direction in terms of gearing up for broad-front export success. Further, the announcement this year that the government would shift from import licenses to tariffs as the mainstay of commercial policy is likewise salutary in that it should abet development of a more transparent economic structure and, in the long run, facilitate bringing Mexican prices into closer alignment with world market prices. In the initial phase of the plan, import permits are to be dropped from nearly 4,000 items, mostly raw materials and intermediate products. Among such are steam turbines, centrifuges, some automotive components, and dairy cattle, but the list apparently includes a great many less essential items as well. Already in April 1985 the first group of 500 or so products was announced. By the end of 1986, some 3,500 capital goods and other finished products will be treated similarly. By November 1989, presumably, import permits will be removed from most of the remaining items, including petrochemicals and automobiles, but the date for completion of this form of trade policy liberalization could come sooner since this year the process has already been accelerated. It is worth noting that prior to this change in commercial policy, a number of items requiring import permits were, in

practice, not allowed to be imported at all because of the influence of local producers; now at least some of these goods can be brought in with payment of duties ranging from 10-50%. Still more innovative was the recent policy proposal to allow any non-luxury good to be imported without need of license if the domestic supply price is more than 50% above the foreign price.

Both the relaxation of price controls and the phasing out of import licensing will eventually help redeploy resources into closer approximation of the economy's underlying comparative advantages even though the full impact of their beneficial effects may be limited in a time horizon of only five years. Helping things along, in the meantime, are a number of other measures. The export financing scheme, Fomex, that was set up a number of years ago has proved to be increasingly attractive for foreign buyers (perhaps partly because it in no way increases the exposure of U.S. banks to Mexican risk), though the element of subsidized credit in the program is destined to be phased out in compliance with the new U.S.-Mexican bilateral trade agreement. A new export promotion program, Profiex, set up in spring, 1985, amplified the functions of IMCE, the foreign trade institute, and significantly reduced the complexity of bureaucratic procedures for exporting. While such steps as these have raised the anxiety of Mexico's intellectual establishment that the government is contemplating another effort to join the GATT, their immediate impact on Mexican exports has been difficult to ascertain. In point of fact, non-oil exports grew by 18% in 1984, but exhibited some deceleration towards the end of the year. The fillip the new policies might be expected to provide has had to work against a notable slowing of expansion in Mexico's most important export market.

Of probably greater immediate impact was the decision taken, after the traumatic second devaluation of 1982, to resort to a crawling peg or series of daily mini-devaluations. To the extent that this signaled a greater determination to avoid the overvaluation that had, prior to 1976 and 1982, been



so detrimental to exports (and a powerful stimulus to excessive importing), the measure should have been of assistance to businesses in reorienting their production plans. Insofar as, at least temporarily, the peso experienced periods of undervaluation, the incentive to export was even heightened--though there have been two partially offsetting factors. For one thing, the exchange-policy shift to a cheaper peso and more expensive imports has afforded somewhat greater shelter for import-competing production in the home market, helping to cushion the move towards trade liberalization. For another, to the extent that new production for export might require additional capital outlays, the rise in price of imported investment goods would tend to elevate the export cost structure and shrink profits. That this is an effect that would sooner or later be shared by industries geared to domestic sales is not particularly relevant for the time being; with substantial idle capacity on hand, these industries are for the most part not in need of additional fixed capital to expand output.

Besides these problems, two others lurk in the wings. The attempt to stimulate exports by changes in the nominal exchange rate tends to fuel inflationary pressures in the short-run, thereby hampering realization of another major policy objective. Up until recently, a certain laxity in pursuing disinflationary policy blunted the importance of this consideration, but as the government gets around to mounting a more sustained attack on inflation, this negative aspect of currency devaluation will gain a certain salience. Since this year's prices will probably end up 50-60% higher than last year's, well above the target of 35%, a more vigorous contrainflationary is likely to be a feature of 1986. Similarly, as the level of aggregate output climbs in the course of recovery, the present strong negative impact of unemployment and underemployment on real wages will lessen. As this happens, Mexican labor is likely to become more reluctant to accept the reduction in real wages that normally accompanies a devaluation in the short-run, an effect that is, at

present, swamped by the impact of joblessness. There are, of course, still other problems associated with relying on exchange rate changes to promote exports. For example, devaluation can lead to higher interest rates that discourage investment. Moreover, a good portion of the country's exported manufactures move abroad as intra-firm transactions by multinational corporations; once production facilities are in place, the influence of exchange rate changes on these trade flows may not be great, though realistic exchange rates would seem to be important for getting such facilities installed in the first place.

In any case, conducive to exporting as this exchange policy might have been, the continuing rapid inflation has caused the daily adjustment rate to lag behind the rate of price level changes in Mexico (or, more properly, the difference between the Mexican rate and the rate of inflation in the country's major trading partners). Thus, from time to time an overvalued peso has again appeared as a real threat on the horizon. Would-be Mexican exporters have, of course, not been insensitive to this possibility, though, even so, there have been a number of major export-oriented investment projects underway and the maquiladoras along the border have been generally thriving. It is significant, however, that the non-petroleum export program that looked so promising in 1984 appears, at least for the moment, to have run out of steam, such exports having dropped 14% in January-May 1985 from the level of the comparable period in 1984.

The next few months should tell the tale of whether Mexican authorities are seriously determined to avoid the problems of unrealistic exchange rates. If they are, then the major dampers on Mexican trade expansion will be (a) the relatively slow growth rate in Europe and, for the past half year, the U.S. and (b) the possible strengthening of protectionist reactions in the U.S. if Mexican manufactured exports should go up significantly. Not having subscribed to the GATT, Mexico was, of course, particularly vulnerable to charges of unfair trade

practices until the bilateral trade agreement signed earlier this year reduced the likelihood of protectionist barriers by requiring an "injury test" before any countervailing duties could be applied. At the same time, the U.S. recognized that a good many of the past allegations of subsidy were groundless. For its part, Mexico eased the way toward the agreement by agreeing to phase out export subsidies and moderating a decree that had been vigorously resisted by U.S. pharmaceutical firms. The small share of the U.S. market most non-traditional Mexican exports will represent even by 1990 would seem to make the chances for retaliatory action slim save in a few fields. Nonetheless, this cannot be disregarded. By mid-1985 the U.S. government, bowing to protectionist sentiment, withdrew GSP duty-free privileges from \$375 billion in LDC products, including Mexican automotive engines and concrete blocks among other items. Partly the concessions were withdrawn automatically because imports surpassed certain volume limits, and partly this happened because of complaints from competing U.S. manufacturers. The severity with which the U.S. appears to be moving against Brazilian shoe exports also suggests that Mexican fears are justified. Even so, the more likely impediment to expanded bilateral trade will be the already marked slowing down of the U.S. growth rate and the adverse impact of the next U.S. recession, a set-back that is virtually certain to occur with the 1986-90 interval.

Other recent measures demonstrate the ambivalence and timorousness with which Mexico has been approaching a more open-economy model. Recognizing the critical role of export diversification as a replacement for oil and debt as the driving force in national economic revival, the government has recently announced that it will lower protection on eight key industrial sectors, including such fields as auto parts, apparel, and metal manufacturing. Actual implementation, however, is sure to run up against stiff resistance from nationalist politicians and technocrats, from local private businessmen who fear

they could not withstand sharper foreign competition, from the managers of a number of state-owned enterprises, and even from the foreign enterprises that reap extra profits from their protected Mexican markets. Though there are compelling reasons for the government to install the program anyhow, one does not need to go all the way back to the GATT fiasco of the 1970s to test the strength of the opposition. Just this past spring, for instance, the government proposed the bold Dimex program for encouraging exports by granting manufacturers duty-free import rights for up to 40% of the value of their foreign sales. So vociferous was the objection that the program had to be put on hold and substantially modified. The amount allowable for importation was cut to 30% of the exporter's foreign earnings, none of the goods imported can be directly re-sold, and certain product categories (e.g., pharmaceuticals, automotive parts) were excluded. Well over a quarter of Mexico's total imports, in fact, fall into the excluded categories. Somewhat paradoxically, then, the chief hope for serious trade liberalization and restructuring the economy toward export-led growth may lie in a further weakening of the market for the country's main export, petroleum, and in the growing reluctance of foreign lenders to put more money into the country.(2) If these trends materialize, as there is some reason to expect, and if the slowness of U.S. economic expansion limits the "automatic" spill-over of demand for existing Mexican exports, then the country will probably be driven by circumstances to embrace the reorientation needed to put its longer-term economic trajectory on a sounder footing.

2 In mid-1984 the government had announced that it was expecting \$1 billion a year in new foreign capital, but the total for the year turned out to be only \$391 million. A probe by Nacional Financiera of the international credit market in early 1985 found no lenders willing to respond.

## Investment

Much has been reported about the trials and tribulations of the IBM investment project, and its details certainly bear scrutiny for the light they shed on Mexican industrial policy. What should not be done, however, is to take it as a signal of any major change in investment policy. The case is singular and very few other companies could, or would be inclined to, take on the enormous administrative expense that IBM had to absorb in handling the protracted negotiations in the matter. It is pertinent to note that on his recent trip to Europe, President de la Madrid was, apparently, circumspect in talking about the prospects for taking a more relaxed attitude toward wholly-owned foreign subsidiaries, and the intellectual establishment in Mexico remains agitated over the policy decision in the IBM case. Much as foreign investors would welcome it, the Mexican government still seems indisposed to go all out to encourage foreign capital inflows save under very carefully controlled conditions.

More relevant to judging where the critical issues will be in this policy area is the combination of constraining circumstances reviewed in the previous sections of this paper: namely, debt refinancing, the prospects for petroleum earnings, and the restructuring of the economy to enhance (or regain) export versatility. The fact that Mexico will face relatively bleak prospects in getting new financing from abroad, that the fiscal system will not be exactly buoyant in supplying rising revenues, and that public spending must be curbed to deal with inflation all mean that the government can no longer play its customary role as the main engine of growth. In addition, one does well to keep in view certain more general features of the evolving investment environment.

To give credit where credit is due, it must be recognized that a number of developments have made for a more attractive investment climate. Without discussing these in extenso, we can at least take note of them. In the first

place, the recent introduction of the "super-free" exchange rate, coupled with the authorization for the banks to buy and sell dollars in the parallel market, and the decision to let the controlled rate used for the great bulk (around 80%) of international business transactions move henceforth in a controlled float should help keep the Mexican economy in closer touch with the price structure of the international market and in so doing reduce one category of risk that has tended to plague investors both domestic and foreign. The decision to liberalize imports should mitigate the inflationary impact of this step and in any case exert a strong influence in favor of more efficient patterns of resource allocation at both micro and macro levels. If to all this be added the reforms realized thus far in the prices charged by public enterprises (e.g., for elasticity, gasoline, and many other commodities) and the efforts (not yet wholly successful) in moving to positive interest rates, it is clear that relative prices have been altered in many key areas of the economy--in directions that, on the whole, add realism and help undo the conditions that contributed to propelling the economy into crisis in the first place. Substantial reductions of the public sector borrowing requirement as a percentage of GDP and the imposition of new controls on central bank financing of the deficit should, eventually, facilitate putting today's idle capacity back into production and, in due course, meeting the new investment needs of the productive sectors--through the recent drastic increase in required reserves and other measures aimed at controlling inflation will, temporarily, produce very tight monetary conditions and drive up interest rates.

A great deal of structural improvement, in other words, has been brought about that will, in time, redound to the benefit of the economy as a whole. Not least of the "general factors" is the expectation that the reimposition of austerity on the public sector will restore confidence that the government is,

in fact, in control of the situation. If the government is successful in sticking with its recent efforts to pare back the bureaucracy as well as certain other categories of public expenditure, a significant start will have been made in setting the stage for greater accumulation in the private sector and, for that matter, the parastatal sector as well. Three years remain in which to consolidate the new policy design, but should it begin, before 1989, to lose coherence, business confidence would almost certainly go downhill rapidly. The policy rollercoaster of the past two administrations, in combination with the acuteness of the 1982-83 crisis, pretty well exhausted the reserves of confidence that had so painstakingly been built up over the previous three or four decades.

Helping the restructuring along are other measures such as the de facto reintroduction of private banking, in the guise of investment banking operations, while some adroitness has also been shown in reforming the nationalized banks. Moreover, though 100% foreign ownership has remained a sticking point, as long ago as early 1984 the government announced 34 categories of industry in which majority foreign-ownership would be permitted: e.g., farm machinery, food processing equipment, textile manufacturing equipment, pharmaceuticals, large turbines and turbocompressors, telecommunications, synthetic resins and plastics, advanced biotechnology, and others. Besides this, majority foreign ownership was also held out as a possibility for investments meeting such other criteria as export promotion, geographical dispersion, and so on.

It is against this background that the IBM case is instructive for the future. Among other things, it reveals the governments willingness to brave no little domestic criticism to facilitate foreign investment that a) contributes substantially to exports (IBM must export 92% of its microcomputer output), b) aids materially in the development of local supplier firms, c) represents a

substantial increase in project scale, d) aids in up-grading national technology-development capabilities (e.g., a new semiconductor technical center and a software development center), and e) shrinks the spread between the prices of Mexican manufactures and those prevailing abroad. Not the least significant aspect of the decision is its indication of the government's intention to reduce the outdated technologies foreign firms have apparently been bringing to the protected Mexican market. For what it is worth, all of these aspects of the decision seem to confirm the outward focus in today's development policy and bring the style and configuration of the Mexican approach into fundamental compatibility with the GATT framework. In the sense that foreign investment has, for long, had to conform with national objectives, little has changed. The national objectives themselves, however, appear to have been redefined and now seem to set the economy on a more mature course, one that bodes well for Mexico's evolving participation in the world economy. The critical issue to monitor in this respect will be any evidence of backtracking from the implied new commitment. Given the context in which the new policy set must be worked out, failures to follow through will probably be exceedingly costly.

Political events this year suggest that thus far the country's remarkably firm system of institutions has been up to the task of crisis management. A certain, perhaps increased, testiness over small issues is to be expected, but the chief question now on the table is how well the new grand design for development strategy resist the attacks that are sure to be mounted against it.



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ISSUE #2

"WHAT ARE THE LIKELY STRATEGIES  
AND  
EFFECTS OF ECONOMIC DISTRIBUTION POLICIES?"

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## Introduction

Even before the earthquake of September, 1985, it was increasingly questionable that Mexico could adhere to the adjustment and stabilization program that it had worked out with the IMF and that had received such accolades from the international financial community. Indeed, the country had on a number of counts already fallen into noncompliance with the approved scenario. Rather than precipitating a new stand on the external debt and its servicing, the disaster and the reconstruction program it implies should more accurately be viewed as simply providing a convenient occasion for the government to begin to talk publicly — in company with Brazil, Peru, and other countries — about the need for a substantially altered approach to managing its economic recovery.

Alongside the immediate question of designing an appropriate strategy for recovery lies the larger issue of the country's development strategy in general. This, in turn, involves a whole complex of issues. Some, of undeniable importance, must be addressed by the policymakers of this administration, but without much prospect that significant positive results can be obtained by the end of the decade. Such, for example, is the case with income distribution, employment, agricultural development, and decentralization. Even so, it will be important to ~~monitor the~~ course of policy to ascertain that problems in these areas are being constructively confronted so that eventually some headway can be made in their resolution. The alternative — manifested in either neglect or wrongheaded policies — is that they all can become much worse, even in the interval of the next five years. On the other hand, it should be possible, within the same brief span of time, to show substantial accomplishment in realigning certain sectoral priorities, a realignment that would represent, as it were, a down payment on a more general restructuring of the economy to make fuller use of the impressive productive potential that has been built up over the years.

### Employment and Income Distribution

The lopsided distribution of income is hardly a novel issue. From the late 1950s, in fact, when the work of Adolf Sturnthal and Ifigenia de Navarrete began to document empirically the extent of economic inequality, the issue has never been far from the surface of political discussion. Later investigators -- foreigners like Singer and Wilkie and a whole host of Mexicans themselves -- have helped to keep the debate going, or, more exactly, have contributed data and interpretation to fuel a controversy generated by the objective conditions of Mexican development. For example, as recently as 1980 a World Bank study concluded that the distribution of income has not changed much since 1963, in spite of all the other significant changes the economy has experienced in the intervening years. The literature of development suggests that most countries experiencing rapid growth will, by virtue of the process, experience an interval of increasing inequality before they are able to begin to reduce disparities in the distribution of wealth and income. This insight has done little, however, to dampen the country's lively interest in the question of who gets how much of the benefits of growth.

It will be some time before one can say for certain how the events of the past three years have altered the distributional picture. Real wages have almost certainly fallen in absolute terms for at least three reasons. Partly this has come from the officially enforced deliberate wage restraint the government has employed in an effort to combat inflation. Partly, it would derive from having to accept a higher level of overt unemployment, and probably disguised unemployment as well, with the cutbacks in government spending programs and the recessionary impact of the crisis on private-sector production levels. In the third place, the liberalization of price controls and adoption of a more realistic exchange rate regime boosted prices on both a segment of domestic output and a very broad range of imports. This adverse absolute

impact, coupled with a marked deceleration in the production of various social goods, has probably sufficed to rekindle public argument even if, in relative terms, the actual distributional impacts are rather more ambiguous.

One can go further still in reasonable conjecture about the course income distribution has taken of late. Considering what happened to the industrial and construction sectors and, above all, to the larger firms that had been able to borrow most heavily abroad up to 1982, there can be little doubt that business profits have suffered even sharper reverses than have aggregate wages. The fate of the largest private conglomerate, the Grupo Alfa, illustrates this impact especially clearly, though not all business conglomerates, even in Monterrey, were hit quite so severely by high interest rates abroad, the devaluations, and problems of convertibility while domestic aggregate demand was in difficulty. Some had not borrowed so much abroad, and some, like Grupo Visa, operated more heavily in lines not quite so vulnerable to the national downturn. Even so, the crunch cannot have dealt kindly with the famous "bottom line" for a good many of the major industrial firms. Further, the removal from the private sector in September, 1982, of whatever financial profits the entire banking sector had been able to generate served, of course, to reduce still further, and directly, the share of ~~natural~~ income flowing into private-sector profits. Again, the share of profits accruing to the more affluent investors would have been particularly affected. Meanwhile, the government's espoused objective of putting an end to the decidedly preferential terms on which large private corporations formerly obtained loans from their affiliated financial intermediaries would, if it has not already done so, indirectly bear on income distribution patterns for the future, shifting income shares from the largest borrowers to medium and smaller sized firms.

As the foregoing circumstances suggest, personal income distribution is a complexly determined phenomenon, extraordinarily so in an economy characterized

by the extent of interventionism that Mexico works with. The ambiguity surrounding the actual incidence of various policy measures and trends, especially when several are changing simultaneously, not only makes it terribly difficult to judge just where particular groups wind up, but it may also serve, after a fashion, as a protective shield for the government: when all is said and done, uncertainty and confusion can have their uses in defusing or at least blunting discontent. In addition, the very different circumstances in which different groups in the population live can shape the outcomes of policy developments and trends in no less different ways. Very likely, for example, many in the poorest income categories have been sheltered by their very circumstances from further deterioration in their economic standing. For some, this is the case because they are so little involved in the market at all; for others, because of their access to various public support systems. Somewhat above the poorest strata is another very considerable, if indeterminate, number of people of modest circumstances who may actually be benefitting from the present adversity: the dependents of those working, illegally or otherwise, in the U.S. and, of course, the migrant workers themselves. The stalled U.S. legislation on immigration pretty much ensures that surplus labor factors will continue to be exported, taking at least a modicum of pressure off some labor markets and helping to arrest the decline in real wages. Higher still on the income ladder is another set of relative gainers, one no less illusive from the standpoint of social measuring: the upper-lower and middle class persons (and their families), in both the private and the public sectors, who deal in the contraband traffic or who serve as the informally rewarded gatekeepers for transactions with the rest of the world.

Meanwhile, the impact of national economic adversity on the personal incomes of most of those at the top of the socioeconomic pyramid has doubtless been cushioned by the windfall gains they have harvested from the appreciation

in peso terms of their very considerable asset holdings abroad. In lesser measure, this tactic may also have benefitted some lower down. The main problems, therefore, concern those groups in between, say, the highest and lowest deciles. What has happened to those laboring in the informal sector, for example, cannot be ascertained as yet, but it may well be that terms-of-trade and income effects have tilted aggregate demand towards the output of this sector, enabling the entrepreneurs and workers therein to hold their own or possibly even increase their relative standing. The apparent partial recovery of output in certain nondurable goods lines and in part of the agricultural sector, which has been favored by weather and improved pricing policies, would also work in favor of income groups, including labor, who are well below the upper echelons. These, together with those in the import-competing industries and informal-sector operations, will probably continue to gain both absolutely and relatively for the next few years, the latter for the reason just mentioned and the former because of the substantial price increases on imported goods. To be sure, weather always poses a significant risk for those in the rural sector, but at least they are not likely to suffer from either policy inattention or, worse yet, policy discrimination for the next several years.

Thus far, both property and labor incomes in the export sector have performed comparatively well, considering the status of the economy as a whole, with tourism (up to the time of the earthquake) registering some gains and manufacturing exports also showing an encouraging strength before this year. Although manufacturing industry as a whole dropped by nearly 3% in 1982 and by over 7% in 1983, before rising just under 5% in 1984, the share of exports in manufacturing output moved from 3.8% in 1982 to 5.4% in 1983, and reached 6.3% in 1984. Before the tragedy of this September, the intensifying need to service the external debt seemed to augur an even more sustained and consistent attention to export promotion, quite apart from its employment and income-

distribution consequences. The additional balance-of-payments pressure the country will face in the aftermath of the quake should therefore virtually guarantee a continued active cultivation of all available export possibilities, at the same time that reconstruction itself will doubtless have a positive effect on federal district construction workers and entrepreneurs. Both groups should experience income gains from now until the end of the decade, trade agreement negotiations with the U.S. having probably alleviated, if not eliminated, the protectionist threat to manufactured and other export products. The greatest danger from U.S.-Mexican economic relations lies in the prospect that a new U.S. recession will, in 1987 or thereafter, severely dampen Mexican sales to its northern neighbor.

Several groups in the population, however, seem destined to fall behind in the income scramble, among them federal bureaucrats, whose money wages will most probably lag behind changes in the price level, and ex-bureaucrats, a truly novel category but one likely to encompass a growing number of discharged functionaries as the need to rein in the public sector and increase its efficiency works its almost inexorable way over the next several years, even in the context of a more relaxed adjustment program. Middle income groups — covering, besides the public employees, the more highly remunerated of the industrial work force as well as business and professional people — can only gradually anticipate any change in the belt tightening to which they have already had to become accustomed. Still other factors darken the prospects for some groups. For example, given the need to move closer into compliance with a new austerity program than the country has managed to do in 1984 and 1985, the possibilities of an aggressive direct attack on unemployment and underemployment are sharply hemmed in by a number of circumstances, notwithstanding the steady pressure of population growth. Almost certainly Mexico will have to pledge, for refinancing purposes, to do much better than it has on reducing inflation below the current rate. It will also have to make another effort to cut



the fiscal deficit in half, to the targeted 4% of GDP, and try to reverse the recent disastrous decline in the trade surplus. State-owned enterprises, too, will be compelled to cut back, something they have not really done as yet, at least with sufficient seriousness to conform to the austerity plan. Only some rather marginal operations, numbering some 200 or so, have been put up for sale. Thus, except for reconstruction connected with the earthquake, the prospects for public works spending to ~~boost~~ employment are dim indeed -- particularly outside the federal district. For this reason, construction is not likely to recover vigorously for several more years in most parts of the country. In consequence, export sector expansion, hitherto a slender reed indeed on which to lean, will almost perforce bear much of the responsibility for whatever is to be accomplished along the employment front - this and agriculture, assuming good weather.

The National Development Plan for 1983-1988, which is more than just a wish list and is a document that offers a great deal of insight into the government's thinking about public policy, talks a great deal about employment and a more egalitarian society. This is, of course, not surprising for a country in which the labor force is growing 3.8% a year and economic disparities are so marked. "Sociedad Igualitaria," ~~in fact~~, comes right after "Nacionalismo Revolucionario" and "Democratización Integral" and before "Renovación Moral" and "Descentralización de la Vida Nacional" amongst the chief aims of the government's program. To track the language of the plan, job creation is seen as the very "cornerstone" of the sociedad igualitaria.

Over the shorter haul, economic recovery is, properly, seen as the sine qua non of employment policy. Beyond this, as a close scrutiny of the plan shows, the process of job creation is viewed primarily as an outgrowth of decentralization or regional development policy, of the promotion of additional employment in blighted urban areas through public works, and of the government's intention

to have another go at integrated rural development. The longer-term connection of population policy with employment and income distribution problems is also recognized. All in all, however, over the shorter haul the most notable advances in official thinking about employment policy come in the willingness to assign part of the blame for underemployment (and the maldistribution of income) to the protectionist industrial policies of the past. More sophisticated, too, is the official recognition nowadays that overvaluation of the peso has tended to skew consumption towards imports and, additionally, to favor the consumption spending of the rich by subsidizing the production of goods with a high import coefficient and not much of an employment multiplier. So far so good. Yet, though population growth is explicitly recognized as a force contributing to economic and social inequality and to making employment goals harder to attain, demographic policy is couched mainly in uplifting, if unobjectionable, phrases that relate it to other objectives. The government is clearly counting on general educational and social improvement to take care of the matter. Family planning is openly endorsed, almost in passing, but nothing has been proposed that even remotely resembles a forceful plan of implementation in this area. There are a number of other policy possibilities for increasing the number of Mexicans at work that have received no overt attention from public authority.

In short, the employment and distribution objectives that are trumpeted as a top priority take form primarily in the other parts of the action program of the government. They therefore are constrained, in the main, by the circumstances discussed at the outset. This being the case, the trends operating in respect of these matters are best discussed further as an offshoot of what the government is likely to do in industry, agriculture, and regional development.

#### Sectoral Priorities

Few countries can ever resolve for any lengthy period the question of which

sectors are to receive primary emphasis. Least of all is this the case in a dynamic economy operating amidst rapidly changing world conditions. In Mexico the issue has, apart from the role of agriculture, focussed mostly on the strategy to be employed in respect of industrial development. Especially has this been the case since the early 1960s, when the agricultural sector fell into a protracted period of policy neglect. Thus, the question of priorities has come to be debated in terms of choice between a state-led deepening of industrial structure, inward-looking and nationalistic, and the more open economy model toyed with, and finally dropped, by the López Portillo administration — but dusted off and rehabilitated by the incumbent regime. The former course of action — called a second phase of I-S-I — would have entailed encouraging the domestic production of more capital and intermediate goods, i.e., pushing heavy industry, and emphasizing the role of public investment and parastatals. Massive investment outlays would have been required to finance these highly capital-intensive lines of production, and very high levels of protection would have had to be maintained. Almost certainly, considering that all the windfall petroleum revenues were used up anyhow and overspending had already occurred, the mega-projects on which such a strategy would rest would have required very substantial additional foreign borrowing. Needless to say, the era of ~~desired~~ growth has passed, and this as much as anything has ruled out such a course of action, save in the view of those who favor the wholesale transformation of Mexican policy into a centrally planned economy model. Events, therefore, have helped mightily to decide between the options, notwithstanding the reluctance of the more strident and militant (or traditional) nationalists to turn their eyes abroad in search of markets, as well as funds for an equity-led pattern of foreign assistance.

This reorientation of policy is quite recent, however, and still very much

in process — in its incipient stage, some would say. As a projection of past practice into a new stage of development, aggressive protectionism held the fort all during the 1970s, soundly defeating the proposal to enter into the General Agreement on Tariffs and Trade. Expansion of the state sector was virtually unbridled, and substantial revenues, as well as borrowed funds, were ploughed into basic industry such as petroleum, steel, chemicals, energy, and motor vehicles. Oil and chemicals, to be sure, corresponded to the country's comparative international advantage and under almost any policy orientation Mexico would emerge, as it has, as a major producer of geothermal energy, but the petroleum windfall together with the indebtedness it made possible were viewed principally as a springboard for pushing investment into a host of capital- and intermediate-goods fields that would be set up to supply the local market. To help things along, mandatory minimum domestic-content and export-performance requirements for foreign subsidiaries were among the measures employed, in addition to the conventional tariffs, import quotas, and loans at concessionary rates. Technology policy — i.e., new regulations on and the monitoring of technology transfers, and a substantial effort to build up scientific and engineering capabilities — was enlisted as never before in pursuit of the paramount objective. The overvalued peso added to the salience of the objective by the subsidy it provided for capital imports. Only secondarily — as part of a special concern for the frontier zones — did the maquiladora industry, with its production-sharing features, come to be embodied in the Mexican approach, though sectoral cooperation between the U.S. and Mexico also put in an appearance in the motor vehicle and parts industry before exchange rates moved too far out of kilter.

The viability of this approach was called into question by the changed conditions of the 1980s, even more vigorously than it had been challenged intellectually during the great GATT debate of the 1980s. But over and beyond

the exigencies posed by objective circumstances, the de la Madrid government has embraced export promotion as a major element in its redefinition of trade and investment policy, seeing in it a way to restructure the economy and deal with the external debt at the same time. As the government states it, nowhere more clearly than in the 1983-1988 development plan, a great many other public objectives can similarly be pinned to this new look in industrial policy.

That there are elements of policy continuity must in all justice be recognized. Assembly operations, themselves an acknowledgment of the need to export, were glimpsed, even during the 1970s as having a wider role to play in Mexican development, and legislation was enacted to permit in-bond plants to set up south of the frontier zone. On the other side of the picture, now as in the 1970s, national policy continues to relate the building of a national automotive industry to relief from the strain placed on the balance of payments by high levels of vehicle imports and to expanding employment opportunities. The stress today being placed on technological education likewise goes back to policies of the 1970s. Further, one could without exaggeration say that the 1977 decree that stipulated policy for the motor vehicle industry — the imposition of rising export requirements on vehicle manufacture and the extension of ~~such~~ requirements even to the local supplier industries, the application of domestic content requirements to parts manufacturers — also served, albeit inadvertently, to bridge the gap between the inward-looking policies of the pre-1982 period and those of today. By the same token, rationalization of the industry that was initiated in the 1970s was geared to domestic market considerations, but concurrently it helped pave the way for the production-sharing strategies that have come to the fore under the present government. By no means, then, has the de la Madrid government parted company completely with the policies of its predecessors. If anything, indicative planning is taken more seriously than ever before, and the state is repeatedly proclaimed as the guiding force in national economic life.

65

This much said, though, a new priority in industrial policy does seem to have been set in place, and for the rest of the decade Mexico should stay more or less on track in (a) pushing for greater efficiency in existing industry through a moderation of the inherited protectionist policies, and (b) encouraging industrial growth where the chances are greater for international competitiveness. A variety of policies will likely be enlisted in support of this strategy. Commercial policy and exchange rate policy, as noted previously, have moved already in a generally supportive direction, and one may expect others to follow suit as time goes by. Technology policy, for instance, has tended to focus over the last decade or so on the selection of foreign technologies and negotiated terms for their transfer. There is reason to believe that henceforth the emphasis will be placed more on the processes of adaptation and diffusion, to step up the absorptive capacity, and hence the competitive strength, of broader sectors of Mexican industry. As one expert observer, a former head of CONACYT, has put it, the "simple" stage of the technology transfer process is, like that of I-S-I, over and the country today finds itself moving into a new and more complex stage, one requiring more flexibility and openness than in the past.

True, the present policy context is not altogether optimal for this shift. The spending surge of the past year, which was possibly election-inspired, will be, in aggregate terms, difficult to restrain now. Because of postearthquake reconstruction, inflationary pressures will resist effective treatment and probably rise from around 60% to 70% a year, or more. Some of the local production that might have gone for export will almost surely have to be diverted to local needs, at least for a while. Structural weakness in the balance of payments will remain, and even become more accentuated with the prospective fall off in tourism and additional slide in the price of oil. It is sobering to reflect that there seems little prospect of improvement in the petroleum market until the mid-1990s, though there is no reason why tourism

should not stage a fairly quick comeback. None of this will make policy implementation easier.

On top of everything else, foreign bankers, especially the smaller ones, will be more wary than ever in coming back to the table for further restructuring of the external debt, now that it is increasingly clear that debt payments to commercial bankers will be limited in order to divert foreign exchange to pay for reconstruction — and other needs that were coming to light before the tumbler. Prior to the quake, the need for ~~new~~ foreign loans for next year looked to be around \$2 billion to \$3 ~~billion~~ (half of it from commercial banks). Now that figure may well be higher, with government sources and multilateral institutions playing a considerably larger role than was formerly anticipated. (The proposed bond issues, from the government and PEMEX, in the semiadministered Japanese capital market should be a plus in the whole refinancing task.)

Nevertheless, aside from the human tragedy it occasioned, the earthquake may prove providential in policy terms, given the shrinkage of policy space it implies. With less room to manoeuvre on account of the present resource needs, and with an undeniably high social priority attaching to reconstruction, it becomes all the more urgent, and defensible politically, to get the economic austerity program back in place. ~~It~~ "dictates," in other words, can plausibly be superseded by national interest in the presentation of the program to domestic constituencies, even though it is thought that the Fund was, before the disaster struck, getting ready to suspend \$900 million in emergency credits under its \$3.5 billion three-year program because of noncompliance with the stipulated economic targets. Be that as it may, some relaxation of the adjustment targets is also very likely, in prospect, to accommodate the same set of circumstances.

Coming on top of the worrisome decline during the first half of 1985 in manufacturing exports along with a vigorous resumption of capital flight, both developments partly the consequence of another episode of peso overvaluation before

the July, 1985, devaluation, a policy of renewed effort in export promotion and diversification is pretty much an imperative with which only the most intransigent autarkists could still quarrel (though quarrel they surely will). The government is expecting the present petroleum output level of 2.7 million barrels per day to grow 3.5% a year through 1988, yet the \$2.50 per barrel decline projected (by Texas's comptroller of public accounts) by 1986 and the additional \$1.00 per barrel decline foreseen for 1987 underscore the wisdom of the government's export diversification and expansion program. The dwindling trade surplus, in fact, leaves practically no other choice, while the new trade agreement with the U.S. creates an inviting opportunity to move ahead with dispatch before the next recession hits. What is more, the changeover in August, 1985, from a crawling peg to a managed float, a change long overdue as Issue Paper #1 pointed out, should help greatly in finally keeping the new policy on track. There is much less risk than hitherto that overvaluation will creep back into the peso exchange rate because of an inflation rate that now looks to be about double (at least) the target set in the adjustment program.

A host of export projects seem to attest to the validity of the present sectoral priority, a priority that stands out with unusual clarity these days. In more than the literal sense, the recent tremor shook things up so that the indecision that seemed to linger in high places as late as this past summer has had to be swept away. Before this happened, it was already doubtful to a growing number of people that Mexico's external debt service obligation of some \$12 billion to \$13 billion a year (now, to make things worse, just about equalled by the internal debt service charge) could be met for long. As a percentage of GNP it was enormous, and it had become no less burdensome when viewed as a percentage of export earnings. The addition to the debt of the costs of reconstruction tends to lead to the conclusion that doubts about Mexico's ability to meet all its obligations in a timely fashion have been amply vindicated.



The strong trade surplus of 1984, which had dropped by 41% in the first quarter of 1985, seems destined to shrink even further over the months immediately ahead: to put it plainly, the issue had been forced.

Stated differently, one could say that the salience of some parts of the Industrial Development Plan of 1984-88 has emerged much more clearly than would appear in the original statement of the plan. Despite the progress that has been made in program development, Mexico's planning process still tends, from some points of view, to encompass too many policy objectives. While this can be faulted as a source of contradictions and vagueness, the current crisis suggests another possible interpretation. Retrospectively, the plan could be viewed as containing a repertoire of policies or policy options -- a sort of contingency planning scenario, as it were, on which the policy community can draw, depending on actual circumstances. Thus, if a plan does not tell one exactly what the government will do, it at least sets up a menu from which the actual implementation policies will be selected.

In this case, then, the choice from the range of alternatives looks to be a good one in that it seems supported by a number of promising trends already identifiable. For example, the export of auto engines and parts from Ford plants in Chihuahua and the new Ford project at Hermosillo; the export of Chrysler-made cars, engines, and a variety of parts; and the export of GM finished vehicles and engines all have linked the Mexican productive sector into the world's largest foreign market for goods of this sort. Given the global restructuring currently under way in the motor vehicle industry, there is no essential reason that Mexico should not cash in on this process for all the years in the interval under discussion, and much beyond as well. By the same token, the U.S. steel industry is undergoing no less sweeping changes, by no means disappearing but shifting increasingly to a successful production (on a generally smaller scale of plant) of specialty steels.

This, too, opens up to Mexico the prospect of long-term increases in export sales of basic steel products. Similar shifts have been in evidence in the petrochemical industry in each of the two countries, and other chemical lines in Mexico should expand in exports as well. A Mexican firm, for example, is already the fourth largest producer in the world of chlorine and caustic soda. Over a very broad range of consumer products, the maquiladora phenomenon demonstrates what can be done if costs and prices are not distorted by currency misalignments in the exchange market. Textiles, apparel, electronic products, toys, and such like show considerable promise. It is not just in citrus fruits, strawberries, honey, seafoods, tomatoes, beer, pineapples, and handicrafts that Mexico enjoys a comparative international advantage in consumer goods. Again, the long-term projections can be bright, if not undone by ill-advised policies. Recent studies suggest that in many manufacturing lines Mexico could profit immensely by learning from the experience of Taiwan and South Korea, to say nothing of Brazil in this regard. Even in that old mainstay of the Mexican balance of payments, tourism, the case of Spain shows how very far Mexico is from realizing its potential.

In some ways, the recent IBM decision can be taken as emblematic of what could — and, I would now argue, what does — lie ahead. Following a negotiating path worthy of the most adept torero, the National Commission on Foreign Investment in SECOFIN (the Secretariat of Commerce and Industrial Development) waged a long and vigorous struggle to extract concessions from the U.S. informatics giant and to ward off a heated criticism that emanated from groups as disparate as the nationalistic Left and the local offices of MNCs. Among other gains for Mexico were (a) substantial foreign investment in setting up a semiconductor development center for local industry, (b) a commitment to assist local vendors in supplying a variety of high-technology components, (c) a commitment to set up a software production and distribution center,

(d) establishment of cooperative training programs for programmers and others in the field of computer science, (e) an agreement to invest in all of these operations an amount (at least \$91 million) more than 14 times the initially contemplated outlay of \$6 million, (f) a promise to keep the technology used and produced in Mexico abreast of world standards, and (g) an obligation to export the huge majority (90%+) of the new plant's output of microcomputers and to hold to a minimum (10% to 15%) the price differential on those sold in the home market. Much of the software to be developed will also be exported to the Spanish-speaking market. The plant that is to sit at the center of this technological development will be the largest of its kind in Latin America. Quite aside from the actual investment that will be put into fixed capital, organizational development, and training, the venture was made even more expensive, by a substantial margin, on account of the laborious and protracted negotiations that extended over an 18-month period and tied up a sizable staff of lawyers, scientists, engineers, and corporate executives. That the Mexican government would brave the wrath of the opposition and that IBM would make the concessions it did yield is as good a measurement as any available of the gains to be had from carrying Mexico's export platform into the advanced technology area.

Lest it be thought that the picture just painted pins altogether too many hopes on the future and makes much too much of recent trends, we do well to recall that Mexico's exports of manufactures have grown before, sometimes at a fairly rapid clip and, on occasion, even in the face of some overvaluation of the peso. Such exports, for instance, rose at an annual rate of 8.5% between 1965 and 1973 and grew at an annual rate of around 14% before they dropped to a less than 1% growth in the mid-1970s. Whether or not Mexico will manage by 1988, as the Industrial Development and Foreign Trade Plan envisages, to sell abroad manufactures sufficient to finance just over 50% of its manufacturing imports remains to be seen. Certainly a number of institutions --

Bancomext, Fomex, Compex, IMCE, and others -- have been mobilized on behalf of that end and the latest changes in exchange rate policy represent a giant step forward. There are other hopeful signs around. Notwithstanding the economic trauma of 1982 and 1983, in which gross fixed capital investment fell by 20% and 28%, respectively, the same variable rose by 5.4% in real terms in 1984. More encouraging still (for in the aggregate this was a pretty modest recovery) is the fact that government investment rose hardly at all (only 0.6%). Private investment, in contrast, recovered enough to register a gain of just under 9% -- even though there was already a spreading expectation that the Mexican economy might be heading into a more open trading environment. It does not seem unrealistic to expect further recovery in capital formation levels in the years ahead, albeit at a relatively moderate pace. (Given the below-capacity level at which many firms are operating, aggregate output can for some time continue to recover without net new investment on any large scale.) Further, if the government, as expected, tapers off on its spending in order to decelerate inflation, this should help in switching a larger share of manufacturing output from local to foreign markets.

In any case, Mexico, over the next five years, will almost surely be a stronger competitor in world markets, those located in the U.S. and elsewhere, than it has generally been hitherto. How trade policy shapes up in Mexico's trading partners will therefore be particularly critical to watch. Considering how much depends, in Mexico and among Mexico's creditors, on the success of the export drive, few matters can be of more overriding importance.

#### Agriculture Problems

Though agriculture figured high in national development policy in the 1930s, 1940s, and 1950s, it was eclipsed thereafter and by the late 1960s began to show distinct signs of weakness. During the 1970s, the situation grew critical, and the country that once had been exemplary of balanced development

was beset on all sides by problems connected in one way or another with stagnation in the agricultural sector. Exports of some rural products continued, to be sure, but in some lines of production the exportable surplus dwindled or vanished while in other fields national self-sufficiency gave way to production deficits and imports. The source of 12.2% of GDP in 1970, the sector had dropped to only 7.3% in 1982. Considering that ~~fishing~~ and some agricultural products enjoyed long-term growth, the sectoral figures mask a truly depressing performance for other crops. It is significant that ~~agricultural~~ imports, which amounted to 9.4% of total imports in 1972, reached 15.4% of the much larger total in 1981. In 1980 and 1981, in fact, the trade deficit in agriculture was in the neighborhood of \$1 billion, foreign exchange the country could ill afford to spend and a figure not too far from the amount estimated, until recently, as the volume of new external financing needed annually.

Rural incomes stagnated as a consequence of this situation, and peasants were driven to move to city slums or seek employment, sometimes at no little personal risk, beyond the Rio Bravo in "el norte." According to a 1975 survey, for instance, 52% of "poor" Mexican families (those with less than half the estimated national mean) were in the agricultural sector, while the same category included 76% of all families ~~in the~~ agricultural sector. That the agricultural work force as a percentage ~~of the~~ total economically active population dropped from almost 35% in 1970 to 25.5% in 1982 is in all likelihood at least as much a reflection of sectoral backwardness as it is of sectoral gains in productivity. Average earnings in the manufacturing sector in 1970, for example, were 6.7 times those in agriculture; by 1981, the multiple was 7.3. The corresponding figures for construction in relation to agriculture were 5.3 and 5.7. Meanwhile, intensified pressure on the land accelerated deforestation and erosion. In the most critical periods of the 1970s, massive food imports snarled the transport system, particularly in the northern part of the Republic, and rural unrest fed a low but threatening level of violence in the south.

Behind it all, the perceived political need to hold down prices to urban consumers moved fitfully between disincentive pricing for farmers and semi-concealed but probably huge subsidies through CONASUPO and other agencies.

There is no need, for the purposes of this analysis, to examine in detail the product complexion of the agricultural sector. As one might expect, the experience from product to product has been varied. Neither need we deal in detail with the assorted programs that have been tried out in an effort to remedy -- or at least cope with -- the problems of the sector. Such was the acute nature of the crisis that was emerging by 1970, the year substantial corn exports began to be required, that a variety of expedients were tried. CONASUPO, second in size only to PEMEX among the parastatals, had long been involved in the agricultural sector and began in the early 1970s to play a much more developmental role. This was, of course, in addition to the promotional work of an assortment of "mainline" institutions: the Ministries of Agriculture and of Hydraulic Resources (later combined), the rural electrification program of the Federal Electricity Commission, the agrarian reform ministry, the colonization agency, the Ministry of Education's agricultural schools -- and other entities such as a number of parastatals (e.g., Fertimex and Pronase), crop institutes, and regional development commissions.

With help from the World Bank and the InterAmerican Development Bank, the country tried a fresh start by launching in 1973 the first Integrated Rural Development Program (PIDER), a strategy combining measures to boost rural employment with some degree of redistribution. In the same year, the support prices for basic foods were raised for the first time in nearly a decade. Land expropriation and distribution were stepped up in favor of the ejidal sector, while the three major rural credit institutions of the parastatal sector were, in 1975, reorganized into a single national rural credit bank (BANRURAL), which was given a larger capital to work with. For his part, President López Portillo devised still other approaches to try to overcome the barriers to rural

progress and to deal with objections to Echeverría's agrarian pseudo-populism. In 1977 the Convenios Unicos de Coordinación (CUC) and the Coordinating Program for Marginal Zones (COPLAMAR) were introduced, and in 1980 the Sistema Alimentario Mexicano (SAM) began operations. This latter was aimed at raising both nutrition and employment in rural areas and restoring the country to self-sufficiency in basic grains. The latest in this procession are PRONAL, an attenuated SAM known as the Programa Nacional de Alimentación (set up in 1983), and PRONADRI, the latter, still taking shape, a born-again, integrated rural development scheme. In this reincarnation, however, integrated rural development has been shorn of much of its former emphasis on land redistribution.

Along the way have come still other variations on the theme of rural development strategy. In addition to the programs already mentioned, these meanderings of agricultural policy have involved production cooperation agreements linking the ejidos with private-sector firms, the creation of sundry commissions and trust funds, a rural roads program, a rural industrialization program, and so on. The arid and semiarid lands of the Republic have supported a fairly luxuriant growth of agricultural bureaucracies.

We may also pass over the main ideological cleavages that have surfaced in the context of agrarian policy debates. At one end stand the so-called vía campesina advocates who, following a Chayanovian muse, appear to favor strengthening the peasant sector on its own terms, redistributing a great deal more of the privately owned land, and somehow investing rural people with more autonomy in respect of their own destinies. At the opposite end of the spectrum stand those who would just as soon rid the country of such historical vestiges as the ejidos and turn the business of rural production over to capitalistic enterprises. The extremes also have got caught up in the running controversy between self-sufficiency as a national objective and the idea of pursuing

specialization along lines of comparative advantage. In between, naturally, have stood any number of politicians and others who would like somehow to have it both ways -- or discover some intermediate position that combines equity with productivity. The variation in position in this middle ground is, it should be noted, abundant, and would include, inter alia, the Marxian decampesinistas, who haven't much good to say for capitalism but who confidently await the withering away of the peasantry (into a rural proletariat) in any case. The most significant step in all this was probably the willingness of the López Portillo administration to acknowledge finally that that sacred cow of the reform, the ejido, was not all that it was cracked up to be and that some modifications -- the aforementioned production-sharing contracts -- might be in order if productivity were to be lifted. For its candor the administration was, of course, pilloried, but by then, anyhow, it was becoming fashionable to attack the government for all manner of shortcomings.

It is obvious that over the years there has been, in this officially secular state, a great deal of genuflecting before the great agrarian icons of the Revolution. Indeed, a whiff of the old liturgical formulas lingers even in the language of the agricultural section of the National Development Plan for 1983-88, wherein agricultural development is repeatedly referred to as a "reforma agraria integral." It is no less obvious, however, to judge by the results, that for much of the time when agricultural policy was not actually pernicious it was at best an entertaining charade -- entertaining, of course, to the urban audience rather than to the rural folk, who were repeatedly shunted backstage.

It is against this backdrop that the de la Madrid approach must be judged, and against a good fifteen years or more of maladroitness policy formation and implementation that the results of new policies must be awaited. To its credit, the general orientation of the agricultural program has the merit of at least being consistent with the overall aims of the National Development Plan.



Land redistribution is subordinated to productivity objectives, the allocation of official credit would follow more closely the production and loan repayment record of borrowers, interest rates were pushed to what was intended to be a positive real level, crop guarantee prices were boosted (albeit selectively so as to strengthen the inducement for export production), and the government has come down unequivocally on the side of comparative advantage and export promotion. Critics, in turn, have pointed to this as evidence of a denationalization of agricultural production, a further internationalization of the control systems governing the Mexican economy (notwithstanding the prominence of the state), and a strong impulse toward the proletarianization of the farm population.

Whatever one's views, it is probable that the next five years will show only limited results by which to judge the efficacy of current policies, this, for a number of reasons. As studies from both Mexico and Peru reveal, any redistributive impacts of even aggressive institutional change in the rural sector turn out to be fairly marginal except over a period of many years. Moreover, so complex are the problems afflicting large segments of Mexican agriculture that the supply response to new policies may also take quite a while to work itself out, except in those portions of the sector already habituated to rapid shifts in production and marketing plans. Random variations in weather and price movements originating outside the boundaries of the Mexican economy enter in to complicate the picture as well. In the face of these complexities, one cannot help reflecting on the record of the past two decades and wondering if the quality of policy management has yet matured to the point that it is up to the challenges of rural transformation.

Unquestionably, the technical level of leadership at the top of the government is impressive, and in such places as the leading state banks, Hacienda, CONACYT, SECOFIN, the Federal Electricity Commission, and Programación y Presupuesto

a not inconsiderable amount of talent has congregated. Whether the same can be said of the machinery of agricultural administration is much less clear. Especially do doubts arise about whether the technically and organizationally adept populate the ministries and agencies in sufficient number to effect the interinstitutional coordination that is essential for successful policy implementation in the rural sector. To orchestrate the whole welter of entrenched agricultural bureaucracies into some semblance of policy coherence may be ultimately too daunting a task even for an administration as filled with Mexico's "best and brightest" as this one is.

The possibilities in effecting a complete overhaul of the rural production system are, however, constrained by still other circumstances: namely, the critical position of the entire national economy in the present conjuntura. Adjustment program obligations do not, and will not for several years, allow the state a great deal in the way of new resources for transfer as social investment to the agricultural sector. Transfers through the credit system could be more forthcoming, but here, too, the dictates of counterinflationary policy may preclude this happening on a very large scale. Except for what may be provided from the World Bank and the Inter-American Bank, the probability that substantial external resources will be made available is also slim. For that matter, even credits from the multilateral institutions cannot rise by any large magnitude without adding further to the problems of amortization and service — and to the jitters of other lenders who are inclined to think that the total debt is already too great for the economy to bear. This leaves, then, an inflow of equity capital from abroad, or from the domestic urban sector, or an incremental transfer of resources to the sector through the price system. Whether foreign investment will step in to make up for the shortfall in government investment would seem to be a very limited possibility in the time horizon under review. Much will depend, therefore, on how much local capital

can be induced to move into agriculture, but given the depressed state of the economy, the prospects for this cannot be reckoned as overwhelmingly bright.

Of all the options, the market transfer route is probably the most feasible. Yet, resource inflows effected through profitable sales in foreign markets, while certainly beneficial to the farm units receiving them and to the national economy as a whole, will have only a limited ability, in the space of five years, to spill over into the invigoration of a broader range of Mexican agricultural activity outside the export portion. As the government has accomplished a lot already in altering relative prices in key areas of the economy, including agriculture, there may be some basis for hope that the more realistic pricing policies now applied to the exchange rate, to interest rates, to wage rates, and to prices charged by public enterprises for petroleum products, electricity, and so on will eventually reach the producers of staples. (At the same time, this very policy shift, desirable as it is on several counts, cuts off yet another transfer mechanism: subsidized prices on key agricultural inputs.) Yet, to extend across the whole agricultural sector the profound change in economic structure the alteration of relative prices implies is not, for political and perhaps other reasons, an easy matter. So far this kind of transformation has been slow in coming. Understandably, the government seems disposed to move cautiously in upping further the prices of wage goods for urban consumers and workers who have already had to bare much of the brunt of the austerity program negotiated as part of the extended facility agreement with the IMF. In the meantime, the alternative of increasing the direct subsidy to consumers but allowing producer prices to rise would appear to be ruled out by the same austerity program. The deficit CONASUPO runs in providing subsidized foodstuffs, dry goods, and other articles to lower-income consumers is already so huge that additional expansion might simply be immanageable.

About the most the U.S. can do (optimally) to alleviate the situation just reviewed is to remove all trade restrictions on Mexican agricultural exports, to tender whatever technical assistance can be discreetly channeled into the country through interinstitutional cooperative agreements and multilateral auspices, and to explore the possibilities for packaging AID-like soft loans and grants in a form that would be acceptable to Mexican sensibilities. Given the risk the de la Madrid government has taken on in so forthrightly developing a "relatively open economy" policy model for agriculture (a model at least as open as that pursued in the U.S.), the public sector in the U.S. ought to be able to take a bit of a gamble, too -- especially since in agriculture the two neighboring economies appear to enjoy so many complementarities. This is not to discount the political costs in the U.S. of pursuing such a course of action, but realistically we must recognize that these costs are substantially less than those the de la Madrid government has assumed.

#### Decentralization Issues

For a good many years Mexicans have been at once as attracted and repelled by Mexico City as gringos have been by New York. The problems the metropolis creates and faces, however, are far worse in the Mexican case than in the other. The parallel would be closer were Washington to be dumped on top of Gotham and the whole affair moved to, say, Denver. For years, if one is to believe what has been said and written, Mexicans have been yearning to spread things out, but in almost every year it is possible to identify decisions taken in which an opportunity for achieving some measure of geographical dispersion was passed up.

The stated aims of the de la Madrid government run true to form in that twice again -- in the National Development Plan and the National Industrial Development and Foreign Trade Plan -- regional policy is accorded a high priority. This time around, however, there appears to be a rather more

sophisticated understanding of the multiple dimensions of the problem. Recognizing that in earlier phases of industrialization the clustering of firms to take advantage of externalities was beneficial for economic growth, official thinking also acknowledges that significant diseconomies of scale have long since set in. At present the agglomeration of economic activity appears to respond mainly to the country's accentuated administrative centralism and to the still limited endowment of infrastructure with which middle-sized and smaller provincial cities and towns must contend.

Continuing a policy of administrative decentralization begun under López Portillo, the de la Madrid administration has evinced a commendable awareness that cultural, educational, and health needs must be redistributed over the national territory if hyperurbanization is ever to be counteracted and a closer (and more fruitful) integration of town and country brought about. A dispersion of agroindustries has been touted as a step in the right direction, and the parastatal firms have also been enjoined to do what is practicable to further the process of deconcentration. Tourism, forestry, and fishing are rightly judged to be particularly important complements to agroindustry in their effects on the process. Most remarkably, in view of Mexico's history, the industrial plan even speaks of desburocratización and desregulación in the same context and recognizes that the technical possibilities of informatics can play an exceedingly useful role in what is to be done.

The conceptualization of these noble goals is sounder by far than has been the case in most past discussions of regional development. The government, moreover, clearly has a good idea of how to go about realizing those objectives. To go a step farther, there is no doubt that within the compass of this sexenio additional decisional responsibilities will be delegated to authorities at the state and municipal levels and that rationalization can release some resources for reallocation. In this the nationalized

banking system could be of considerable help. Nevertheless, it would be farfetched to expect substantial progress to be made beyond this in carrying out a geographical redistribution of economic activity. The doubts that arise are in their origin not unlike those that apply to the agricultural program.

Were the government operating in a more normal environment and with ample new resources to deploy, much might be accomplished -- if decentralization and deconcentration could at the same time be made the centerpiece of the action program. Yet, the highest policy priority, after wrestling with the debt adjustment process and, now, postearthquake reconstruction, is that of restructuring the country's industrial plant and putting the industrial and agricultural sectors into position to function more effectively in a more open economy setting. Even "moralization" has had to take a back seat to the process of recontextualizing industry and agriculture, while a secondary aim of public policy, that of encouraging political pluralism, has been pushed to the sidelines as well.

Some measure of rationalization in resource use may, in fact, help matters along, but there simply do not appear to be any substantial additional resources available with which to spread infrastructure around the country in sufficient quantity -- and quality -- to make much of a difference in only five years. No new resources on any large scale will come to the public sector in this span of time, save for credits from the multilateral lenders, and private capital formation can probably go farther if, for the time being, it concentrates on reactivating and redesigning product where productive capacity already exists rather than embarking into territory where the initial costs of investment are going to be higher and the risks greater. (One cannot help notice, in this connection, that even under public management BANAMEX has apparently postponed, if not abandoned, its plans to move head-

quarters functions to Querétaro.) Lastly, to shift a great deal of new responsibility for designing and carrying out public investment programs to state and local entities, and to ask them to participate in deregulating and otherwise reshaping the business environment, may be asking of them more than they can deliver simply in terms of the administrative skills available to them at this juncture. With notable exceptions, the most able técnicos and administrators have tended to gravitate toward employment in the federal government, leaving the ~~distribution~~ of lower-level posts to be decided more by political obligations.

What this signifies for issues in Mexican-U.S. relations during the next five years is not easy to imagine. There would seem to be very little that we can do about deconcentration and decentralization in Mexico beyond, perhaps, assisting in the strengthening of the regional universities by helping along their faculty development, administrative improvement, and extension programs. Closer linkages between state and municipal administrative upgrading programs in the U.S. and Mexico might also be of some benefit. Yet, as we all know, even in the U.S. where specialists are in these matters said to know what they are doing, the gains to be had from institution-building programs are most often obtained only after years of ~~laying~~ a groundwork and more years of painstaking efforts to build from there.

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ISSUE #3

"WHAT ARE THE POLITICAL CONSEQUENCES OF CHANGES  
IN ELITE-MASS SOCIALIZATION?"

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Important developments are transforming socialization patterns long associated with Mexico's political stability. Although these developments are not likely to undermine stability, at least in the short run, they are altering its bases and the principal challenges it faces. This essay considers the consequences of changes involving two major foci of political socialization: education and the mass media.

### EDUCATION

#### Problems and Transformation in Mass Education

Educational progress has been critical to political legitimacy since the revolution. Successive administrators have emphasized their direct responsibility to provide expanding educational opportunities, and they have claimed popular credit for their accomplishments along these lines. Education has been widely seen as a major channel toward national development and individual mobility. Today, nearly one-third of all Mexicans are in school or involved in some educational service. The education ministry alone employs nearly one million people, almost 75% of the national government's total, and the major teachers' union itself has roughly 600,000 employees. As groups like these lobby for the public schools, government faces middle- as well as lower-class demands.

In recent years, Mexico has managed to maintain notable educational expansion, from pre-school through graduate studies. It has not, however, managed to overcome critical problems affecting mass education. Average schooling is only 3.5 years and 75% of rural children do not finish the legally obligatory six years; if 15 to 20% of Mexicans are almost fully illiterate, more than that percentage is functionally illiterate. Recent

government programs (e.g., 1961) aimed at adult illiteracy have not been successful. One might view all this as a deplorable social reality...with which the political system has been perfectly capable of coexisting. But alongside devalued credentials, weakened job prospects, growing teacher unemployment, severe economic crisis, and growing perceptions of "relative deprivation" due to television, educational poverty could contribute to increased alienation from a political system losing some of its ability to accommodate the masses. An especially keen political threat arises with increased rejection rates at public universities, as that alienates the middle class.

Some observers fear that education is becoming even less attuned to mass/national needs than it has been. Alan Riding writes that primary education "is no longer an effective instrument for inculcating basic national and moral values in children." These values include service and nationalism. Instead, the de la Madrid administration emphasizes excellence, "tecnocratization," and individualism in education.

A related de la Madrid emphasis is decentralization. This appears consistent with government's other efforts at decentralization and with the Global Development Plan. Although there is much to recommend decentralization, given stultifying bureaucracy and D.F. congestion, there is the danger that changes for efficiency could hurt mass interests and disrupt bases of political legitimacy. Educational decentralization is historically associated with terrible regional disparities in finance and quality; the revolution pushed educational centralization as necessary to political centralization. Decentralization could weaken curriculum and other aspects of policy uniformity that may help shape a national consensus between elites and

masses and within each of the two groupings. In any case, political costs have become immediately apparent. Although, typically, the government's exact motives are not easily discerned, the Central Teachers' Union saw a severe challenge in provisions that would have forced it to bargain at the state level rather than united at the national level; its opposition has already led to a partial government retreat from the effort to blame politicized union activities for technical inefficiency and poor educational quality.

An indication of how far some forms of decentralization can go is found in higher education, especially as Mexico has begun to offer "mass" higher education. UNAM (The National Autonomous University of Mexico) dominated higher education throughout most of this century, thereby contributing to a shared set of values that have been crucial in the political system. The National Polytechnic Institute became a clear second after the 1930s. As recently as 1971, the D.F. held 53% of Mexico's enrollments, with 85% of the D.F. share in these two institutions. As of 1977, the two held their D.F. share, but the D.F. overall fell to 38%. By 1983, the decentralization of UNAM itself brought the UNAM-IPN share of D.F. enrollments down to 59%; more important, the D.F. share of Mexican enrollments fell to 27%. The political implications of this decentralization in an area so tied to shaping national values and to elite recruitment naturally depend on how one views the issues discussed in other papers, e.g., the benefits vs. challenges of a potential power shift away from the D.F.

#### Impact on Elite-Mass Divisions

Amid all the problems and transformations in education, a elite has generally been able to protect itself in privileged sanctuaries. Until the 1960s UNAM and most other universities provided such sanctuaries, but rapid

enrollment growth has undermined that elite status. Less than 3% of the cohort group attended higher education in 1961 compared to over 13% by 1981. Even recent figures still represent a minority, obviously, and the acquisition of higher education continues to mark an elite-mass split. But the inability of higher education to continue automatically conferring sufficient advantages has stimulated the elite to pursue at least two major alternatives. One is graduate education. Whereas there were fewer than 7,000 graduate students in 1971, there are well over 30,000 today and this includes only those studying in Mexico.

The other alternative is private higher education. In practice, private institutions have served elites at all educational levels. Despite constitutional prohibitions, religious education has flourished and elite growth is probably more marked in secular schools. While the upper class has relied on elite private schools throughout the century, the upper middle class has followed suit in recent decades and by now probably most medium-level bureaucrats send their children to private schools. Yet, since 1964, the private share of primary and secondary enrollments has actually decreased to roughly 5% and 25% respectively, while the private share of preparatory enrollments has held at around 25%; perhaps increased public coverage has been accompanied by an elite exit to private schools. Such an exit could be politically significant insofar as public schools traditionally educated most of the political elite and socialized Mexicans of different classes toward national and popular norms. Nevertheless, I concentrate on higher education because privatization has recently been most rapid and immediately significant there, in terms of political impact, and because an important link exists between Mexico's private universities and foreign

graduate studies. However, many of the dynamics and political consequences of privatization are similar at the different educational levels.

Private institutions now account for 15% of "first degree" higher education enrollments; their share of graduate enrollments grew from 14% to 22% in the 1970s. As public universities have greatly expanded, private ones have expanded even faster and have done so by attracting elites dissatisfied with the former. The rejection of a large public sector, accompanied by the establishment of stark private alternatives, has important consequences.

Among these consequences may be an increasingly visible separation of the elite from the non-elite. Academically and socially, many of the private universities are highly selective. While public universities charge only nominal tuition, private ones subsist mostly on substantial tuition--augmented by contributions from supportive businesses and wealthy individuals. In fact, several of the universities are closely tied and subordinated to private enterprise. The Monterrey Group with its Technological Institute is but the best known example. Others include the Monteczuma Group and ITAM (the Autonomous Technical Institute of Mexico) and the Continental Group and the Americas University. Governing boards with strong business representation appoint the universities' chief executives and set the general directions of their financial and academic policies. The elite character of the private universities is also reflected in their small size, as their 15% of enrollments are spread out across 50% of higher education's institutions, and probably in their concentration in Mexico's most urbanized and developed regions (from which, as Paper #10 shows, an especially high percentage of rightist leaders emerge). Private universities

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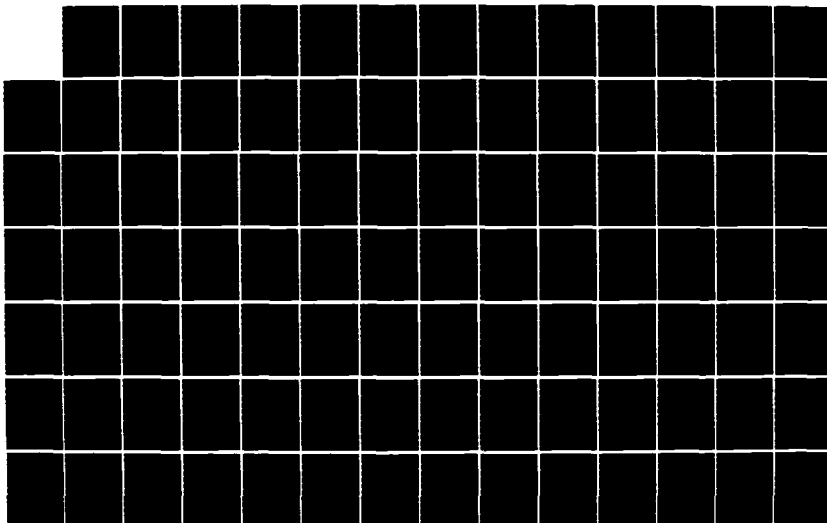
MEXICAN TRENDS: THE NEXT FIVE YEARS(U) DEPARTMENT OF  
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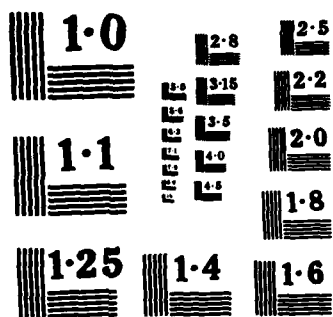
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account for only 6% of total enrollments outside the U.F., Jalisco, and Nuevo Leon (vs. 35% in the business stronghold of Nuevo Leon).

Private universities, thriving in large part because of the perceived devaluing of public university degrees, serve their clientele and supporters by training students in specializations demanded on the job market. These universities hold a two-to-one proportional edge over public counterparts in business-related fields, where enrollments are growing most rapidly. The prestigious ITAM has 93% of its students in business, administration, and economics. Yet the private-public distinction goes well beyond what quantitative measures suggest. For example, while UNAM economics is Marxist, ITAM's and the Monterrey Institute's are micro and U.S.-oriented. Students are being educated in crucially different ways in the two sectors.

Differences in socialization are evident in political terms. Leftist political disorder, increasingly involving university workers rather than just students, helps explain the elite exit to private universities. Here students are isolated from the participation, dissent, political bargaining, and conflict of the public universities. Concerning national development, private university politics generally favor a conservative line based on growth more than distribution, technical efficiency more than populism, economic leadership by business more than the state, and support for U.S. policies more than nationalist policies of the Left.

Although we have less research on it, the great growth of graduate education may have many similar consequences. It too separates the elite from the non-elite. There is social exclusiveness and, especially because so many attend U.S. universities, probably some tilt toward the political-economic orientations just elaborated.

### Impact on Political Leadership

Perhaps the most direct political impact of the growth of private university and foreign graduate options lies in the increasing infusion of students from both into leadership positions with not just private enterprise but the state as well. The significance of this development must be seen against a long tradition of UNAM's dominance in political recruitment. Clientelistic recruitment ties between students and professors have been critical, especially as many professors have previously or simultaneously held important government positions, and as student politics has provided a training ground on which to develop and demonstrate political skills subsequently used by the regime.

Based on small cracks in recent administrations, larger cracks under de la Madrid, and analyses of trends, we can now see a major shift away from dominance by public educational institutions. Data on pre-university levels permit some cautious conclusions. Private primary and secondary education appear to have increased in importance (in educating the political elite) for those born since the 1930s--those just now reaching the political elite. It also appears that the role of private preparatory schools is increasing, although the salient shift is the continuing decline of the National Preparatory School (connected with UNAM), again reflecting a decentralization of the political socialization process. To take isolated examples, just as Echeverria was educated at private schools, de la Madrid was educated at a private preparatoria. More striking and politically significant, however, is the rapid rise of private university representation in the governmental elite--roughly 5% under de la Madrid versus 1% for predecessors 1935-1982. The Iberoamericana, ITAM, and LaSalle are especially important.

were the private penetration to stop here its impact would be significant but limited. What we see, however, is a trend that allows us to predict increasing penetration in the years immediately ahead. If we look at the federal officials just below the top elite, the private university representation increases. A separate source (Presidencia) finds an 8.4% private representation among the top 1,278 Executive officials under de la Madrid, but even this percentage understates the private growth, for two principal reasons. One is that only seven private universities are identified. The other is that the private university influence is frequently and increasingly coupled with foreign graduate education. Because of the socially and academically elite composition of several private universities, and their inclinations toward U.S. norms, these institutions account for a greatly disproportional share of those Mexicans now gaining entrance to graduate study outside their country. And the importance of graduate study is growing especially fast. Particularly U.S. graduate study. The Presidencia sample shows that 44% have a graduate education. UNAM accounts for only 18% of these, versus its 56% share of first-degrees. In comparison, foreign universities account for 62% of the graduate degrees, versus only 5% of first degrees. More than half the foreign graduate (and first) degrees are U.S. degrees and the bulk of the rest are also from the West, mostly France and England; a scant 1% come from Communist nations.

The private and foreign growth at UNAM's expense will have an even greater impact on those reaching the political elite in 1988 and beyond. After all, those reaching the prime elite years for Mexican political office were students in the 1960s, when UNAM's decline began and private and foreign educational alternatives became more salient. Only a few strong private

options predated the 1960s. Additionally, private universities hold perceived advantages for employment in fields of study that are rising in political importance. Economics is the principal example. The Big Three of law, medicine, and engineering, generally public strongholds, have been joined by economics--which now graduates a higher percentage than any of the three (or any field) into public life. Economics' representation doubled in each administration from 1952 until it reached 18% of Echeverria's cabinet, a trend deepened by the succession of two presidents with economic experience in government. Among de la Madrid's assistant secretaries law is no longer necessary even as a first degree.

The transition in recruitment is seen in the presidency itself. While each of the last three presidents has a first degree in law from UNAM, the last two pursued a more technical/economics path than their predecessors and de la Madrid became Mexico's first president to add a graduate degree, from Harvard. None of the three held elective office prior to being president. Each of the three has sent his children to private universities, Lopez Portillo's son then using his own high political post to recruit from his Anahuac University alma mater. Finally, there is evidence of similar transformations in several states, so that administrations brought in by the 1985 or subsequent elections may well have transformed leadership profiles.

#### Impact on Political Stability

The positive impacts of educational changes on political stability are more direct and predictable than the negative consequences. Consider, first, how private universities and foreign graduate studies bolster stability by meeting the aspirations of elite groups. Without elite alternatives, these groups would feel dangerously threatened by transformations within public

universities. Instead, the alternatives help ensure critical support for the political system at a time when the principal challenge to it comes from privileged groups on the right. Well-to-do families secure prestigious, safe, and marketable educations for their youth while businesses secure well-trained and reliable personnel, as when Televisa recruits heavily from the Monterrey Institute, Anahuac, and the Iberoamericana or when multinational affiliates hire Mexicans with U.S. graduate degrees. Additionally, the regime fulfills elite ends without incurring the political liabilities of doing so through restrictiveness in "its" public universities--which can therefore remain relatively open. It can also do so without assuming the bureaucratic and financial burden of direct administration.

Such contributions to political stability have been growing in importance over the last two decades. The direct contribution to political leadership has begun to have an important impact only more recently. It involves the recruitment of well-trained personnel to positions that require technical and economic skills. These positions are found principally in the "technocratic" or "neo-liberal" centers of Budget and Planning, Treasury, the Bank of Mexico, and PEMEX. Ministries that are more political, like Foreign Relations, or are oriented toward a large state role, like National Patrimony, have seen less penetration, at least by Mexico's private universities. Even there, however, change is occurring, as shown when a graduate of the Monterrey Institute reaches a higher political post than any of his predecessors, when a former instructor at another Monterrey private university gets a PRI nomination for governor, and when private universities

increase their representation in the Chamber of Deputies (1982), suggesting further increases in 1985 and beyond.

The infusion of privately and foreign-educated Mexicans surely contributes governmental expertise, capabilities, and international legitimacy, but it also contributes to changing bases of stability and challenges to that stability. The changes include the growing influence of the "technical" over "political" power centers, most notably the PRI. While the public university has long overshadowed the PRI in political recruitment, the skills fostered by the two were largely compatible when honed in government. Not so the traditional-political PRI versus the modern-technical private university or graduate education. Again, the rising group is not socialized with the curriculum, class mix, political activity, and bargaining that has characterized the experience of their public university predecessors and contemporaries. In power, they tend to be the technocrats (or "political-technocrats") associated with rationality, efficiency, and anti-populism, trends accelerated under de la Madrid--and decried by politicians who perceive arrogance and the erosion of political skills and legitimacy. Many of these private and foreign graduates are interested in "policy" more than "politics" and routinely bypass elective office. As de la Madrid's cabinet includes only one minister who had held national elective office, and as leftist intellectuals have stepped away from government since 1968, graduates of private and foreign universities have increasingly direct opportunities to reach influential positions.

This penetration also presents political dangers related to the elite-mass divisions identified above. The success of private and foreign graduates increasingly weakens the position of public university graduates on

the job market, and the government chooses between absorbing "excessive," poorly qualified personnel or denying employment. Meanwhile, government relies increasingly on leadership that lacks experience interacting with the masses. Finally, "denationalization" threatens what has been a critical basis of political legitimacy since the revolution. Private universities often emulate U.S. higher education in curriculum, structure, and even value orientations. In contrast, public universities have traditionally socialized toward nationalism, with less U.S. influence. Naturally, the threat of denationalization is augmented when foreign graduate education is added.

#### MASS MEDIA

##### Private Power Centers

As in the provision of politically relevant formal education, so in the provision of politically relevant news, certain institutions traditionally associated with the regime appear to be playing a decreasing role. A 1983 PRI poll of 7,051 Mexicans indicates that only .3% get their news primarily from a political party, only .3% from unions and only 1% more from other work settings. Instead, the mass media predominate in modern Mexico, probably much more than they did in the 1960s. This growing predominance is especially important given the role information, or restrictions on the flow of information, have played in citizen acquiescence and political stability. For example, information on which to assess government performance has been notoriously limited. Yet control over information becomes increasingly sensitive as the political reforms of recent years demonstrate the regime's recognition that (without increased repression) it cannot restrict the amount of information as much as in the past.

Given their great and increasing significance, it is noteworthy that the media lie overwhelmingly in private hands. In television, radio, and the press, government ownership is the exception and captures only a small share of the audience.

Evidence on which medium is paramount in news consumption is terribly contradictory. The PRI poll and a recent USIA poll suggest that newspapers lead easily, while most experts believe that television leads easily. In any case, at least four conclusions can be made. First, no other information service rivals these two. Second, the relative importance of broadcast to written media increases as we focus on less educated audiences. Third, the broadcast media are gaining in influence. Fourth, television is clearly preeminent if one moves from the provision of news to political socialization more broadly defined.

Striking cross-ownership diminishes the political significance of whether newspapers or television leads. It also increases the political significance of private ownership, for that ownership is highly concentrated. A proliferation of periodicals and broadcast stations should not disguise this concentration. Rota makes the basic point, though in exaggerated terms: "It is analogous to suddenly merging ABC, CBS and NBC...plus all independent television stations in the country and many other mass media and cultural industries and then giving full control...to three families." In fact, Mexican centralization is not sudden. Television was inaugurated by the O'Farrill family, owner of the nation's second largest newspaper chain and other media, thereby helping to form the nation's leading communications conglomerate. The Azcarraga family then joined television to its other entertainment enterprises. With the Aleman family, these two united to form



what is now Televisa. In turn, Televisa owns 75% of the Spanish International Network; satellites extend SIC's influence in Latin America and SIC already reaches 12 million U.S. (Hispanic) viewers! Moreover, the grand media concentrations are tied to broader business interests including real estate, steel, and banking.

#### Challenges to the Political System

Leaving political socialization in private hands runs great risks of delegitimization through denationalization, just as it does in education. In the media, however, there is no parallel to the direct foreign provision represented by graduate studies. The USIA study finds that only 6% of even well-educated Mexico City residents name foreign media as their first or second sources even for international news. Considering socialization more broadly, the more than one billion comicbooks and photonovels sold annually are Mexican not only in ownership but in content as well.

Regarding most media, however, there is reason for worry over denationalization. For one thing, Mexican owners frequently transmit U.S. products. Television is saturated with U.S. shows, accounting for nearly half the transmitted hours, cinema with U.S. movies, and radio with U.S. music. Equally important is the U.S. influence on media produced in Mexico. Chagrin over "gringoisms" has recently led to creation of a governmental Commission for Defense of the Spanish Language. Above all, concern focuses on how television in particular socializes Mexicans to U.S. values or, worse still, the values of U.S. television. Yet the concern is not converted into counteraction, perhaps because the political system has still not appreciated the new power of television or figured out what to do about it--despite its own study showing that primary school children spend more time watching

television than attending classes. Another explanation is that "entertainment and escape" suit the system's ends.

Aside from denationalization, an immediate political threat relates to relative deprivation--never before has a medium presented such powerful images of wealth and success to so many who do not enjoy even remotely comparable status. Naturally, both relative deprivation and denationalization can be especially serious problems in border regions. Richard Meislin emphasizes how the disparities increasingly highlighted by U.S. television, particularly as cable takes hold, relate to diminishing Mexican buying power, economic crisis, and PAN strength in the North.

Whatever the preoccupations about the border, a more general concern is that the media may be promoting a serious political split between the D.F. and urban centers of opposition to the PRI. Television, often transmitting rightist messages, is increasingly at the center of this concern. It is a more important news source in several large provincial cities than in the D.F. The whole matter becomes particularly sensitive to the degree that television is tied to business interests outside the D.F. and associated with politics to the Right of the regime's. On the other hand, television should be seen as a homogenizing force as well. Transmissions emanate overwhelmingly from the D.F. In contrast, citizens in provincial cities read printed media from a mixture of local and national services.

My assessment of other media is similar to my assessment of television in this regard: If they are playing a role in a potentially dangerous political split, this role can be easily exaggerated. Put another way, the issue merits monitoring but does not at this point warrant alarming

conclusions. For example, although both the media and its consumers are more to the Right in major provincial cities than in the D.F., the differences do not appear decisive. The most important left-leaning newspaper, Unomásuno, and magazine, Proceso, are read more in the D.F. than in provincial urban centers but they are read very little anywhere. And compare the USIA percentages of Mexico City vs. provincial urban magazine readers who affirm the following: They can be identified with the Left or Left of Center, 31% vs. 23%; the U.S. should be viewed favorably, 33% vs. 50%; the U.S. generally treats Mexico unfairly, 68% vs. 63%; dependency on the U.S. should be Mexico's most important international concern, 19% vs. 18%; foreign investment is good for Mexico, 56% vs. 59%; foreign investment is good for Mexico, 58% vs. 59%.

The role of the regional press also warrants monitoring more than alarm. Accounting for roughly 85% of both daily and nondaily newspapers, it is more critical of the national government than is the D.F. press, but I do not see this difference as either dramatic or new. The most serious concern could involve movement by the media to promote explicit, organized, political alternatives on the Right. For example, while the D.F.-based press gave little attention to the 1985 Sonoran elections, some of the Sonoran press expressed regional pride in its competitive political process, warned of repercussions if the PRI stole the elections, and then criticized the eventual outcome.

Beyond such regional factors, how dangerous is media opposition to regime policies? My inclination here is to concentrate on the growing media. Primarily because of television, newspapers and magazines are declining in relative importance; besides, the regime has obviously been able to coexist

with them for a long time. It has also been able to coexist with the media that attract minimal audiences. Indeed, the regime is adept at allowing the greatest latitude for dissent in precisely those outlets. Academic books and journals are good examples. Comicbooks are interesting in that they do portray to wide audiences how unfulfilled revolutionary promises have been and yet come under less censorship than newspapers. Best-selling books like Lo Negro del Negro Durazo, exposing the corruption of Lopez Portillo's Mexico City police chief, could represent more of a new challenge. So could the works of young novelists reaching a middle-class audience with themes of political disillusionment and the deterioration of life in Mexico City; this threat relates to the widened gulf between intellectuals and the government since 1965.

but television is clearly the most important growing medium. Riding fears that television "is in fact undermining the system by subtly leading the viewing public to the right." On foreign affairs in particular, where other media have been freer than on domestic issues to endorse leftist positions, television promotes rightist positions such as the U.S. anti-communist view of the Central American conflict. Not all news shows take such positions, but 24 Horas does and it captures more than 90% of a nightly audience of 15-20 million.

Finally, another development in television challenges the regime from both the Right and the Left. This is the time allotted to opposition parties through the political reform. Thus, for example, the leftist PSUM could put on colorful, professionally produced footage documenting repression in the provinces, trial abuses, electoral fraud, and PSUM efforts to combat all of these.

### Support for the Political System

Although the media present some growing challenges to the political system, they also continue to support the system. First, dissent remains the exception. Just as dissent is most limited in the media forms with the largest audiences, so the principal organs of dissent within each form remain relatively small. For example, Unomasuno trails far behind basically supportive dailies like Novedades, Excelsior, and La Prensa. While these others reach a wide socio-economic spectrum, Unomasuno attracts only a few percent of the obreros, peasants, and underemployed. The same can be said of Proceso's standing alongside such magazines as Tiempo, Siempre, and especially Impacto, and even Impacto trails far behind the politically innocuous Selecciones (Readers Digest). Moreover, Unomasuno suffered an internal split in 1983, as Proceso did in 1980. Granted, both periodicals are read disproportionately by political elites but they may thereby be viewed less as challenges than as sources of information, possibly influential with a segment of that readership.

Naturally, the continuing lack of direct media challenges is partly explained by continuing censorship and, more importantly, the threat of censorship and punishment. The influence of Gobernacion and of control over paper supplies are commonly cited. A fairly recent case of censorship concerns Jack Anderson's charge that President de la Madrid was transferring accumulated personal wealth to Swiss accounts. A broader censorship threat was posed by de la Madrid's initiatives to tighten libel laws. Overall, however, the media appear more free to criticize the government than they were fifteen, ten, or even fewer years ago.

Instead, I would emphasize media-government cooperation. In fact, "government" and "media" are not always separable. Several papers have been founded by presidents. The government helped establish Televisa, installing the son of ex-president Aleman as news director and retaining a role in news selection. It helped create 24 Horas. Pierce concludes that while the government-media distinction remains shrouded in mystery, "state-private linkages have been steadily growing."

Even where the public and private entities are distinguishable, cooperation remains notable. The government subsidizes almost all major printed outlets. Beyond that, it often supports the businesses connected to media like Televisa, perhaps in return for favorable reporting. Nor is the government posture merely defensive; the government uses the media to promote its messages and to "float" ideas.

Much of what makes government-media cooperation so mutually advantageous involves corruption. In return for extensive and favorable coverage, officials (and candidates) give direct payments, monthly retainers, consultantships--and winning hands in poker games. Media owners benefit by not having to pay good salaries to reporters and by receiving government advertising revenues. De la Madrid's anti-corruption drive must be seen against that mutually beneficial context. Even a brief historical perspective reminds us that Lopez Portillo also pledged a crackdown. Still, de la Madrid's attempt was unusually serious, at least concerning newspapers. Payments were cut back, as were subsidies, while the president told employers to pay reasonable salaries. Prices soared, sales plummeted, and many papers folded. Part of the government cutback and of the commercial difficulties resulted from Mexico's economic crisis; but one also sees here a growing

technocratic distate in government for "old-fashioned" and unprofessional relationships, and the de la Madrid administration has done much less than its successors to "cultivate" the press. Yet it has retreated from its frontal assault, leaving the immediate future of government-media relations in doubt. A "successful" anti-corruption drive would threaten media interests more than would increased censorship--but it would also threaten some traditional tenets of political legitimacy.

#### EXECUTIVE SUMMARY OF IMPLICATIONS FOR CROSS-CUTTING THEMES

The locus of political socialization has shifted from institutions such as the PRI and coopted unions toward television and other modern mass media that are overwhelmingly in private hands. It has shifted from the public school, the National Preparatory School, and UNAM to private schools and increasingly to private universities and foreign graduate studies. How much such shifts threaten the political system naturally depends on many factors. These include (a) whether an organized political alternative is being promoted by the increasingly influential institutions of political socialization and (b) how much these institutions are, by penetration, transforming the political system itself.

#### Organized Alternative on the Right? (Issues 5, 10)

Mexican political stability has for decades rested in part on the dominance of a public political system over private power centers. Neither the evolving educational institutions nor the media present an independent threat to the political system; a greater concern is that they are stimulating and reinforcing trends that could lead to threats. Critical among these trends are increased middle-class alienation and the raised voice of the Right in political affairs. In general, higher levels of education

correlate with rightist beliefs and support for PAN over PRI; more particularly, private universities are certainly more associated than public universities with such beliefs. And private television is widely felt to promote similar tendencies. The media's role can be especially sensitive in conjunction with the broad political reform, presenting opportunities to cover PAN campaigns, legislative positions and dissent, and the confrontation between PAN legislators and the cabinet ministers now sent by de la Madrid to answer questions in the legislature.

A key to any political formation on the Right is the link with business, long the most significant actor on the Right. We have seen that Mexico's private universities are closely tied to major business groups. More obviously, the private media are businesses; in fact, they are part of large business networks going well beyond the media themselves. There is even evidence that some important enterprises moved more heavily into the media after the 1982 bank nationalization. This nationalization may have demonstrated to them the pitfalls of only indirect political influence and of limited social influence. In this view, they are therefore simultaneously pumping more resources into social organizations and expressing their political views more openly. COPARMEX (Mexican Employers Association) is likely to remain unusual for its direct assaults on the de la Madrid administration and the regime more generally as well as for its commitment to politicizing businessmen. Yet there is some shift in these directions, with suggestions of fortified business-PAN alliances in some states, as happened after Chihuahua business interests were alienated by the bank nationalization.



The vision of an organized political alternative can be extended. The relation of private university to business groups and of media to business groups often overlaps. For example, the Monterrey Group, substantially controls both the Monterrey Institute and Televisa. The rabidly rightist Autonomous University of Guadalajara, easily the largest private university (over 15,000 students), runs a mass circulation newspaper (Ocho Columnas). Additionally, the Church is sometimes joined in a private coalition, as when the Iberoamericana and Anahuac universities are tied to religious groups and to wealthy, supportive, businessmen. Beyond this, the Opus Dei is strong at several private preparatorias and universities like the Pan American University.

A formation on the Right of "horizontal" linkages among important societal institutions could move away from an authoritarian basis of legitimacy in which the state, enshrined to promote the public interest, deals "vertically" with such institutions, coopting them individually and preventing any dangerous coalition. Yet the shift is only one of degree. For example, the Church is allowed limited political space. More important, the private institutions, even the rightist ones, are not united. The Church does not encompass in any unified way the political-economic activity of various religious groups. Business remains divided over particular policies, as it does over the desirability of building a coherent political alternative. Media are often divided into mutually exclusive cliques. However much most private universities have in common when contrasted to most public universities, strong divisions exist among them. Moreover, the 1985 elections show once again PAN's basic inability to build or lead a coherent rightist alternative to the regime.

Whether or not an organized rightist alternative eventually forms, shifts in political socialization clearly are affecting the role of major groups and the strength of the opposition. But how much these shifts really threaten the regime is another question. I believe that a regime that has consistently rewarded privileged over mass groups can take some solace when its principal opposition comes increasingly from the Right, and this is the direction in which changes in political socialization have pushed. As data on illiteracy and rural school dropout rates suggested, the regime has an objectively weaker defense to make against a leftist challenge. It is therefore significant for political stability that challenges to legitimacy may be increasingly related to private universities whereas fifteen years ago they were so tied to public universities. Challenges from independent rightist power centers will threaten stability only if they gain substantial middle-class support, if business moves much more resolutely into the partisan political arena, if PAN becomes far more effective than it has been, or if a professionalized military (educated and socialized now in its new college) finds itself more comfortable with such challenges than with the regime.

Private Penetration: Socio-economic Orientations and Eroding Political Skills  
(Issues 1, 2, 4, 8).

Immediate threats to the political system probably come less from an organized alternative on the Right than from penetration of the system itself. If so, then we must revise the view, popular just a few years ago, that the system was threatened by its impermeability to private university graduates and business concerns, by the fairly sharp division between political and economic elites.

Shifts in political socialization are clearly promoting this penetration, just as they are promoting the growth of private power centers outside the government. ITAM and Iberoamerican university graduates increasingly snatch high governmental position; Televisa's informational resources are so sophisticated that Gobernacion itself is said to work with them in police functions. This notion of penetration complements the belief that traditional legitimacy is threatened less by PAN as an independent alternative than by the fact that the forces it represents can increasingly penetrate PRI. While many private and foreign-educated graduates interested in government office weaken PRI by not going through party routes, more join PRI than PAN. In office, the graduates push the substance of policy toward conservative or neo-liberal views, the style of politics more toward the technocratic side.

In terms of economic viability and social change, the analysis here again leads to certain speculations. Most media will not explore the terrible social costs of economic crisis and recovery. In painting official solutions in a favorable light, television plays an especially important role. Yet that medium, in its non-news shows, increasingly does more than any other to show life styles that run the risks associated with relative deprivation. Meanwhile private- and foreign - educated policymakers clearly have specialized knowledge and "international" policy approaches that help manage the economic crisis. But they tend to emphasize economic rationalization and viability over social costs such as unemployment and even perhaps political costs such as a degree of labor alienation. They emphasize incentives over subsidies and welfare, foreign investment and comparative advantage over

economic sovereignty and protectionism, and renewed growth over attention to redistribution and severe elite-mass inequities.

I do not want to exaggerate these policy tendencies; for one thing, several can be seen as long characteristic of the Mexican development model. Nonetheless, others are new or accelerating trends. Moreover, this is an example of where shifts in political socialization apparently have immediate policy impacts because they fit in with other political-economic developments, notably the economic crisis and Mexico's marked dependence on the U.S. and IMF to combat it.

Beyond any changes in policy substance, shifts in political socialization are affecting policy skills and style -- and thereby raise questions about the ability of technocratic personnel to sell their policies to a suffering public and to manage the political tensions that might so understandably result from rationalized socio-economic policy. Negative impacts may be cushioned less or simply less disguised than in the past. We have seen, for example, how private university graduates lack the political training and bargaining experience characteristic of many public counterparts assuming governmental posts, just as we have analyzed implications for power shifts involving certain ministries and even the presidency. Politically unskilled or insensitive officials may be particularly ill-prepared to deal with labor and peasants or to manage the political benefits and risks of corruption.

Technocratic orientations may make it increasingly difficult for intellectuals and representatives of the "nationalist left" to feel comfortable remaining inside the regime. For example, these representatives are concerned over conservatism and denationalization in the media and may

press to nationalize television (not an implausible development). More generally, and crucially, the penetration of differently educated alongside additionally educated personnel could lead to severe intragovernmental conflicts.

The changing patterns of political socialization may have implications for the electoral process. Our data have suggested accelerated movement toward the private-and foreign- educated in electoral turnovers. Public university graduates will continue to dominate among elected officials, but major shifts will continue in appointments and the balance of power is moving toward those with little elected experience. Even the elections themselves could be affected. Much of this will involve PRI's need to respond to the growing challenge on the Right and to "modernize" itself. The 1985 elections in Nuevo Leon and Sonora provide some evidence in terms of candidate selection. However, despite heightened coverage and interest by both the <sup>U.S.</sup> local and <sup>A</sup> press, these elections basically confirmed electoral continuities and the minimal role of the media (especially the national media) in providing information or accountability to the citizenry.

Poison Candy? - Impact on Mexican - U.S. Relations (Issues 6, 7)

At first glance, changes in political socialization might appear overwhelmingly favorable for the U.S. government. Private television provides favorable news coverage; equally important, its favorable depiction of U.S. life-styles reaches a growing percentage of Mexican households. An increasing proportion of policymakers are being educated in the U.S., an increasing proportion in private universities much more oriented than public universities to U.S. techniques, values, and policies. It is more comfortable and perhaps efficient for U.S. policymakers to work with those socialized

similarly. In foreign policy one sees a greater likelihood of anti-communism and of opposition to aid for Cuba, Nicaragua, Salvadorean guerrillas, and Guatemalans fleeing rightist repression. It is natural for U.S. private interests (as with satellite transmissions) and government agencies (as with AID monies for private university development) to work with Mexico's evolving institutions of political socialization.

But there are also dangers. Mexico's political legitimacy has surely been related to nationalism. Trends in both education and the media raise serious questions in that regard. Moreover, pro-U.S. positions may undermine the oft-cited use of leftist foreign policies to secure popular and intellectual support for a regime whose domestic policies leave much to be desired by those groups. Finally, to the degree that there is a formation of a rightist political alternative involving elements of private education, the media, and business, even a perception that the U.S. is promoting it could be especially dangerous. Before he was assassinated, widely read columnist Manuel Buendia wrote repeatedly about ominous political activities by groups centered in Jalisco and Colima and composed of representatives of Televisa, local newspapers, COPARMEX, and Opus Dei — all operating principally through the private Autonomous University of Guadalajara and with important backing from the CIA and Ambassador Gavin.

#### CONCLUSION

Some changes in political socialization can affect legitimacy and stability only indirectly and over time while others are already producing notable and intensifying impacts. The impacts are greatest when they promote broader political transformations, such as the shifting power among major interest groups. Changes in political socialization are affecting both masses

and elites as well as their interactions with each other and with the political system. Traditional bases of legitimacy and stability are threatened by the extent to which modern means of political socialization live with, and strengthen, both private and foreign interests. But they are especially threatened by the penetration of evolving policy orientations into the heart of government. We cannot know which threats might in fact undermine stability -- in part because we could never know exactly what has explained Mexico's extraordinary stability to date. We do know that one ingredient has been the system's ability to accommodate itself to new social and political circumstances, rather than to cling to outmoded ideas and techniques. Changes in political socialization now provide a major test of that ability.

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ISSUE #4

"WHAT WILL BE THE IMPACT OF CHANGES  
IN  
POLITICAL AND INTELLECTUAL LEADERSHIP?"

BY

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Mexico stands on the brink of far-reaching transition. Economic crisis and austerity policies have brought a harsh end to the famous "Mexican miracle," inflicting unprecedented hardship on wage-earning workers and the salaried middle classes. The deterioration of social conditions--crowding, congestion, pollution--seems to have passed the point of salvation. Political tensions have led to the disruption of longstanding bargains and tacit accommodations: the 1982 bank nationalization seriously weakened (and possibly destroyed) an informal agreement between the ruling elite and the nation's business sector, blatant corruption has created widespread disenchantment, and opposition parties have issued a new and vigorous challenge to the long-dominant PRI. The revolutionary consensus, so long taken as a source and model of stability, appears to be under siege. The question is what will come next: where is Mexico going?

Much of the answer will depend on leadership--on the will and capacity of ruling elites to respond creatively to problems and opportunities. (The rest of the answer will depend on the nature of the issues themselves, whether they are susceptible to policy measures or whether they simply overwhelm the system as a whole.) There are numerous groups within the country's leadership cadre, and two will receive attention here: intellectuals and technocrats. To employ the phrasing of the assignment for Issue #4: What will be the impact of changes in

political and intellectual leadership?

#### APPROACHING THE PROBLEM

Let me begin with definitions. By intellectuals I mean those who play a creative role in the conceptual articulation and public discussion of political and social questions. Intellectuals can perform their task in various forms--through scholarship, fiction, commentary, art. They can employ different degrees of directness: sometimes they focus on the assumptions that underlie policy questions (such as the nature of national identity), sometimes they deal with practical matters (such as policy towards Nicaragua). In contrast to their counterparts in the United States, very few of them can make a living from their intellectual labor alone. As a result they do not work exclusively within the universities, they cannot always devote full time to their creative efforts, and they do not rely only on academic and literary outlets for expression. They often write for newspapers, for example, and many of them are wage-earning journalists.

As in other countries of Latin America, a critical facet of their role derives from their ambiguous relationship to the state. Through their commitment to the pursuit of ideas, intellectuals require (and usually demand) the right and opportunity to criticize governmental authority in a highly charged political atmosphere. They seek to offer an independent voice. But in a practical sense they are dependent. Most

universities are supported by the state, the media are closely supervised (and sometimes censored) by ruling authorities, jobs and positions are invested with political overtones, the availability of state-sponsored generosity (bribes, favors, payoffs, appointments) poses a constant threat to integrity. Intellectuals in Mexico cannot escape the state; they have to come to terms with it. As a result, they are continually testing the limits of official tolerance, seeking to establish the boundaries of permissibility before deciding whether to overstep them or not.

The defining characteristic of technocrats, or técnicos, pertains to the nature of their credential for recognition and employment: it is a certificate of expertise, usually a university degree (often a foreign one at that). Whereas intellectuals tend to present opinions and viewpoints on public matters of general interest, technocrats claim to be in command of specific skills for the resolution of particular policy issues. Imbued with the prestige and authority of "scientific" knowledge, they appear in various fields: agronomy, engineering, and, most recently and most emphatically, economics. They differ in outlook and opinion among themselves, they take different sides of arguments, but they have one thing in common: a standard ticket for admission into decisionmaking circles.

It is in this regard that Mexican técnicos differ markedly from políticos, those who make their way up through the complicated

network of electoral and partisan offices. Politicians make their claim to prominence not on the basis of scientific expertise, but on the basis of social skills and accumulated contacts. Perhaps most important, for them, is their ability in negotiations and face-to-face bargaining, and their principal resource is a structure of personal alliances. (Also relevant, but less crucial, is their experience in dealing with mass audiences--not in the sense of getting votes, given the realities of Mexican elections, but in the sense of establishing symbolic and rhetorical ties between elites and masses.) What politicians have to offer, as a means of gaining entrance into the elite, is a demonstrated talent at working with people, at striking bargains, at giving and getting support, at learning and respecting the rules of the game.

Ideal types help illustrate the difference. A likely technocrat will have grown up in an upper-middle-class family in Mexico City, attended the Instituto Politécnico Nacional, gone to UNAM, done graduate study at a prestigious university abroad (Harvard, Stanford, Cambridge, etc.), then immediately found a medium-to-high level position in the national bureaucracy, either in a ministry or in the semipublic sector. A classic politician would have come from a lower-middle-class background in a provincial city, attended local schools, studied law at UNAM or elsewhere, and then begun a long apprenticeship in the PRI and in so-called elective offices (in municipal councils, state legislatures, etc.). Politicians typically emerge from more

modest circumstances than technocrats, and, when they reach national office, they tend to be a good deal older. In addition to differences in education and preparation, there are differences in class background and generational experience.

In actual practice it can be difficult to tell the difference between a politician and a technocrat. Hard-working políticos often acquire some mastery over technical issues, for instance, and back-slapping técnicos can temper their recommendations with political considerations. This in fact makes a good deal of sense, since one of the keys to advancement through the system would be the ability to absorb and expand the range of personal contacts and skills. (And it has led Roderic Ai Camp to coin the term "political technocrats," though I have chosen to omit the adjective.) But the definitional criterion, as I have proposed it, relates to credentials at the point of entry into the nation's elite, not to all facets of the career. The blurring of lines is to be expected; it shows that the distinction works, not that it is meaningless.

Changes within and between these groups--intellectuals, technocrats, politicians--will no doubt have important and enduring effects on leadership in Mexico. In this paper I shall focus on two basic trends:

- \*the progressive alienation of intellectuals from the state, and

- \*the apparent supremacy of técnicos over políticos in national politics.

Most of the consequences of these two developments, however, are more likely to show up in the long run rather than in the short term: the effects will probably be more gradual and incremental than sudden and dramatic. For this reason I will move beyond the bounds of the immediate assignment--to prognosticate over the next five years (1985-1990)--and take the liberty of looking into the 1990s and even beyond. Five years would take the analysis barely beyond the next presidential transition, whereas some shifts in leadership may not show up until the next century.

#### ALIENATION OF THE INTELLECTUALS

For decades after the Revolution intellectuals tended to collaborate with state authorities. The promotion of education was a primary goal of revolutionary leaders, and universities developed into crucial training grounds for national leaders. Artists and writers dedicated themselves to the articulation and elaboration of a political ideology that came to form the basis of a national consensus, a set of assumptions that endowed the state with the legacy of the Revolution itself. There was criticism, to be sure, but it functioned within limits of official tolerance: the state might fall short of the goals of the Revolution but there could be no doubt that the state (and the President and the PRI) were making legitimate and sincere attempts to meet their historic obligations: there might be suffering and inequity but there was no need for a social

revolution because Mexico had already had its official Revolution. So long as intellectuals respected these limits they could operate with the permission of the regime.

Indeed, the Mexican government constantly cultivated contact with intellectual figures and supported their endeavors, frequently enticing them into semi-honorific public offices. Prominent writers often received ambassadorial appointments. The state and the intelligentsia both needed and supported one other.

Then came 1968. The massacre of students at Tlatelolco that October suddenly disrupted the longstanding agreement between the intellectual and political establishments. Such leading writers as Octavio Paz and Carlos Fuentes strongly denounced the repression--the memory has, in fact, inspired a whole genre of Tlatelolco literature--and essayists began to question the basic legitimacy of a regime that would wage such brutal war on its own youth. The universities, increasingly radicalized, became hotbeds of opposition. Even as President, Luis Echeverría was unable to complete a ceremonial visit to the National University and had to flee from angry student crowds. The time-honored pact was destroyed.

Discontent simmered through the early 1970s, as Echeverría managed to coopt some erstwhile student leaders, and then a key development took place: the intellectuals began to find new outlets for their views. A crucial event in this process was the



Echeverría administration's assault on Excélsior, a Mexico City newspaper widely respected for its independence and high standards. In 1976 the government orchestrated--or supervised, or at least permitted--the ouster of the paper's editorial leadership. It was a harsh reminder of the limits of toleration and of the dependence of the media.

Perhaps more important, however, was the creation of a rival press. Julio Scherer García, the displaced editor of Excélsior, took many of his top writers and created a weekly newsmagazine, Proceso. Newspapers appeared in addition. Before long a new daily, Unomásuno, challenged Excélsior's position as the foremost paper in Mexico City. In 1984 it would be followed by La Jornada, led by some of the most prominent young intellectuals in the country. Reviews like Nexos, modelled after the New York Review of Books, would provide still other outlets. In effect, radical critics of the regime found new means of expression. They would still be dependent upon official toleration, but the bounds of permissibility had been stretched--and the range of possibilities increased.

The expansion of intellectual opportunity had its parallel in a political opening too. One of the keystones of the López Portillo administration was, of course, political reform, which had three central elements:

- \*legitimation for parties to the left of the PRI, including the Mexican Communist Party

- \*a guarantee of one-fourth representation for opposition

parties in the Chamber of Deputies (that is, 100 out of a new total of 400 seats)

\*amnesty for political prisoners.

The goal of the reform was to give the opposition a voice within the system, to channel discontent and to increase the prospects for cooptation.

What it has produced, at least in institutional terms, has been a flourishing of parties on the left. By 1982 the PRI was challenged from the left by a plethora of parties in addition to the old-time Partido Populista Socialista (PPS): the Partido Socialista de los Trabajadores (PST), the Partido Revolucionario de los Trabajadores (PRT), the Partido Mexicano de los Trabajadores (PMT), and, most conspicuously, the Partido Socialista Unificado de Mexico (or PSUM, a coalition created in 1981). Mexico's new left has yet to gain a strong electoral following--with just under 10 percent of the vote in the disputatious legislative elections of 1985--and it has suffered from internal schisms. But its mere existence introduced a novel element into the national political scene, especially because it posed a genuine challenge to the PRI. It was not, like the old PPS, a limited and loyal opposition.

And despite its electoral weakness, the institutionalized left has captured strong support from the country's disaffected intellectuals. This is a major development. Critics of the regime now have a place to go, an alternative to the politics of cooptation (which nonetheless takes place, but not on the same

scale as before). And they depict the regime, not as the culmination of the Revolution, but as the betrayal and corruption of that noble legacy. In other words, events since 1968 have made possible the creation of an ideological alternative to the system and the PRI, a development that in turn derives from the rupture of the time-honored understanding between the state and the intelligentsia.

In the meantime, the political right displays a doctrinal vacuum. While the Partido de Acción Nacional (PAN) has mounted an palpable threat to the PRI at the polls, especially in northern states, it has not developed a powerful right-wing ideology. (Here it contrasts with the left, which has strong ideology but weak electoral support.) To date the PAN has based its voter appeal on a series of negative platforms--advocating rejection of the PRI, of corruption, of communism, of statist policies. It has not yet fostered a coherent position of its own, and in this regard some observers note and lament the absence today of prominent conservative intellectuals like early PAN theorists Manuel Gómez Morín and Trinidad García. One could imagine the articulation of an ideology derived from the tenets of Christian Democracy, a position that would perhaps improve the PAN's image both inside and outside Mexico. But it has not happened yet.

Which does not mean that it cannot occur. Institutional developments have at least begun to create appropriate

conditions. In the last twenty years Mexico has witnessed the formation of some conservative research agencies, or "think tanks," such as the Centro de Estudios Económicos del Sector Privado and the Instituto de Banca y Finanzas. Private universities, such as the Instituto Tecnológico Autónomo de México (ITAM), have not only appeared but have prospered; many analysts believe that ITAM, for instance, has the best graduate-level economics program in all of Mexico. The institutions and the resources exist. We may well be about to witness in Mexico the same kind of right-wing intellectual and ideological ebullience that has so characterized and dominated U.S. politics in recent years.

This potential broadening of the ideological spectrum in turn reflects some long-run secular transformations in the nature of Mexico's intellectual life. One of these trends might be described as massification: universities, most notably the UNAM, are no longer intimate communities; they are enormous institutions with hundreds of thousands of students and staff and faculty, city-size complexes that give added meaning to the notion of a ciudad universitaria. Networking and clique-building (or camarilla-making) still occur but in a vastly different context, with far less assurance that this year's graduating class of lawyers will be next year's group of cabinet hopefuls. A second and related development is decentralization: in addition to such private schools as ITAM there has been the appearance of some strong and thriving state-run institutions--"provincial

universities," as capitolinos like to call them--plus new schools in Mexico City itself. UNAM is no longer the only serious institution in the country. A third underlying pattern is disciplinary diversification: humanities and law, once the preeminent backgrounds for aspiring public figures, have yielded ground to economics, accounting, engineering, architecture, and computer sciences. As a result, Mexico's academic community is becoming less homogenous, less exclusive, and less directly tied to the regime. And as a matter of political and demographic reality, there is simply not enough room for all these newly minted intellectuals within the current system.

What might these tendencies mean for the future? In the short run probably not much. There may well be some consolidation and unification of ideological and partisan positions on the Mexican left; the presentation of a unified leftist challenge to the PRI in the 1988 presidential succession could result in a stronger electoral performance (perhaps 15 percent of the total, 20 percent at the most) but it would not dramatically transform the country's political landscape. Likewise, the PAN might bolster its platform and continue its assault on the excesses and inconsistencies of the PRI regime, and--notwithstanding the just-completed 1985 elections--it might capture a governorship or senatorship by 1988. But it is not about to win or even dispute the presidency.

The longer-run implications of intellectual alienation will

more likely appear after 1988. The regime's acceptance of a position at the center of the political spectrum, flanked by a coherent left and an aggressive right, could lead to a considerable weakening of the PRI's claim as the sole inheritor of the nation's noble revolutionary legacy. The loss of this symbolic monopoly would make it easier for voters to cast ballots for other parties but, more importantly, for aspiring activists and intellectuals to throw their support to the opposition (of either left or right). This, in turn, could lead to fragmentation with the regime itself, including the appearance of breakaway factions from the PRI. As the intellectual and ideological scene becomes crowded and confused, the regime could lose its position of hegemony. And this, in turn, could lead to either one of two results during the 1990s: pluralization and democratization, or reaction and repression.

In other words, the progressive (and possibly accelerating) departure of intellectuals from the ruling coalition could have serious long-term consequences for Mexican society and politics. In this regard it is essential to remember that, in Mexico (and elsewhere in Latin America), intellectuals have much greater importance than in the U.S. For years the Mexican intelligentsia performed a crucial function for the regime, not only through what it used to do (support the regime's claim to revolutionary legitimacy) but through what it did not do (define an ideological alternative). This has all changed since 1968. The future offers opportunity and, for the regime, cause for preoccupation too.

## TRIUMPH OF THE TÉCNICOS?

There is hardly any doubt that technocrats have come to dominate Mexican politics over the past fifteen years or so. Miguel de la Madrid is the third president in a row who never held any prior elective office, and he had less experience in the PRI than any of his predecessors (and, as we know, he had even gone to Harvard!). His destapamiento was bitterly resented by party regulars, especially by the since-sacked leader of the PRI, and he has had uneasy relations with such personalities as Fidel Velázquez. The De la Madrid cabinet consists almost entirely of técnicos (only one, the late Jesús Reyes Heróles, had ever held any major elective position, and he was a renaissance type with significant intellectual and managerial accomplishments to his credit as well; the mayor of the Federal District also appears to represent the more traditional políticos, but there is no one else who comes even close). Two-thirds of the current cabinet officers have received graduate educations--compared to 11 percent in the 1930s and 21 percent in the 1950s--and 63 percent of the De la Madrid cabinet has studied abroad (at such institutions as Yale, Harvard, Wisconsin, and the University of London). As though that were not enough, a few young technocrats have been given positions in the Chamber of Deputies, the time-honored terrain of party politicians. In brief, the Mexican regime has been getting ever more technocratic in recent years, and it has never been so technocratic in tone and background as

it is now.

What is not so clear is the meaning of this trend. One prominent line of argumentation maintains that, for all their brilliance and education, técnicos do not have the necessary skills to run the country. By training and outlook, technocrats:

- \*are prone to apply extraneous techniques and methods to the resolution of national problems
- \*reduce political issues to mathematical formulas
- \*have little appreciation for the arts of negotiation and compromise
- \*do not know how to deal with crowds or rituals
- \*are more comfortable in the presence of IMF functionaries than Tlaxcalan peasants.

They are also said by some to be arrogant, overweening, and pretentious. And because of their concentration in Mexico City, where they can work in air-conditioned offices, técnicos are depicted as ignorant and ill-informed, more likely to know the outcome of a Harvard-Yale football game than the dimensions of a political struggle in a Oaxacan village. The forecast here is obvious: if technocrats continue to dominate the scene, Mexico is in for some serious trouble.

I see the problem somewhat differently. Most technocrats of my acquaintance are perfectly aware of the dangers inherent in mindless importation of econometric models, they are conscious of political realities, and they realize the importance of negotiation. Some are rigid and some are difficult. But there



are those who are able to acquire and develop political skills. even some who handle crowds with ease. Note, for instance, that José López Portillo (R.I.P.) became a master demagogue, and such an internationally respected figure as Jesús Silva Herzog has become a charismatic personage in Mexico. To be sure, there is a question with regard to skills, but this is not the heart of the problem.

The issue, as I see it, is one of social and political balance. The key to stability for Mexico has been the maintenance of an equilibrium among competing and collaborating groups. Within the PRI this has been reflected by the quasi-corporate structure of three sectors (one for peasants, one for workers, and the so-called "popular" sector for everyone else). And within the state apparatus as a whole, it has been reflected by equilibrium between three major groups: técnicos, políticos, and militares, with soldiers apparently content to operate as silent partners in the ruling coalition. The ascendancy of technocrats at topmost levels threatens to destroy this delicate balance and, with it, the incentives for other partners to stay within the coalition.

This is a serious prospect. For decades, a political career has held out the promise of upward mobility for ambitious young people (mainly young men) of modest middle-class background, and even for some born into peasant or working-class families. Dutiful labor within the PRI has carried with it the expectation

of recognition and rewards, and this anticipation has provided a sensible motive for cooperation with the system. Seen in this light, what North Americans label "corruption" has not only offered chances for material gain: it has also made it easier for people to accept their exit from high office at a relatively early age and thus make way for others. A freewheeling system of patronage has its disadvantages, but one of its constructive consequences has been to give the ambitious a stake in the system. This has discouraged dissidence, fostered loyalty, and, in so doing, promoted stability.

The apparent triumph of the technocrats has led to alteration of this picture. Top-level positions are no longer as open to políticos as they seemed to be before, and this has a corollary implication: political power is less available to aspiring members of the laboring and lower-middle classes, while it is more tightly controlled by the upper and upper-middle classes. Moreover, as though to add insult to injury, this most technocratic administration in national history has instituted a "moral renovation" campaign that seeks to root out corruption. Many politicians accept the merits of this initiative but they can be quick to point out that it was not políticos who abused the traditional system, it was outsiders and upstarts like Jorge Díaz Serrano (a businessman who became head of PEMEX) and José López Portillo (the technocrat who became president). They insist that "moral renovation" should entail praise for loyal service as well as denunciation of dishonesty, and that políticos

should not have to pay the price for others' crimes. And they observe, with skepticism, that De la Madrid has made peace with some of the most powerful but egregious offenders (such as the head of the oilworkers' union) while showing reluctance to prosecute López Portillo himself. Moral renovation is a fine idea, they seem to say, but not at their own expense.

Have the políticos lost out forever? Is the imbalance irreversible? Probably not, at least in principle, especially since the técnicos have begun to lose their aura of invincibility and superiority. The continuing crisis of the Mexican economy--punctuated by a major de facto devaluation of the peso and the announcement of yet another austerity package in mid-1985--has raised questions in various quarters about the capacity and skill of the ruling technocrats, now sometimes likened to the unlamented científicos of the prerevolutionary Porfirio Díaz era. The técnicos no longer have a magic touch.

The 1985 elections have revealed a political weakness as well. According to most observers, De la Madrid either allowed the PRI políticos to perpetrate blatant fraud or he was unable to impose his will. Either way, he failed to master the situation--while the políticos managed to demonstrate their continuing control of the electoral process. (Some skeptics even think the clumsiness of the manipulations was a deliberate attempt to embarrass technocratic leadership in Mexico City.) In time, perhaps sooner rather than later, técnicos may come to realize their need for

support from the still-assertive políticos.

Here is a situation where short-run events may have a lasting impact on long-run developments. To be specific, the presidential succession of 1988 could have a crucial effect on the ruling coalition. Appropriate recognition of the old-line PRI and the políticos could lead to resurrection of the traditional alliance and, perhaps, to a strengthening of the system and its prospects for the subsequent future. On the other hand, continued subordination and humiliation of políticos could produce an immediate crisis--the PRI might even reject the destapado--and lead to near-permanent alienation.

If some such scenario were to occur, one could then imagine a migration and absorption of politician-types into other opposition parties of both the left and the right. The remains of the PRI would be the party of the technocrats, challenged by intellectuals and politicians on both flanks. Or, in a slightly modified version, social elements of the national elite might divide along partisan lines: the left might be the party of the intellectuals, the right would be the party of the businessmen, the center (that is, the remains of the PRI) would be the party of the technocrats. All three groups would compete for support from the políticos. Such a scenario would lead to the institutionalization of schisms and fissures within the dominant cadres and, in extreme form, the consequent polarization would spell the permanent end of the time-honored consensus that has

characterized Mexican politics to date.

This would necessarily entail a structural transformation of the political system, and it assumes a degree of democratization that does not seem to be in the offing at present (especially in view of the July 1985 elections). According to this vision the opposition would command human resources and political strength, the PRI and the system would have superiority but not supremacy, the legislatures would acquire new roles and the presidency would lose its aura of omnipotence. It is one of Mexico's possible futures.

Another, alas, entails reaction and repression. The combined exodus of intellectuals and politicians could create a considerable sense of threat, especially if augmented by popular discontent over continuing economic austerity. Street riots could provide a spark, perhaps in the 1990s if not in the 1980s. As the late Manuel Buendía wrote a couple of years ago, official union leaders

are really terrified by the message they are receiving from the people and as a result of the rise in the cost of living. And they feel--because they are the most sensitive part of this old and wise political system--that at any time they could be overtaken by the union grassroots.

If that happens--and the possibility grows by the hour--the workers' anger would spill over into the streets. It would link up with the anger of the bureaucrats and would have an immediate incendiary effect on certain sectors of the middle class. Then we would have something much worse than the hot and bloody summer of 1968.

The fact that a worker uprising has not yet occurred, for whatever reason, does not mean that it can never happen.

The most likely response, in this case, would be repression by the military. This would increase and enhance the role of the armed forces, especially in the domestic political realm, and it would create the conditions for an alliance between the military and the technocrats. (Indeed, it is the development and strengthening of these two groups that makes it even possible to speak of such an eventuality.) If so, the Mexican regime would begin to resemble the "bureaucratic-authoritarian" model of the Southern Cone, though presumably of a less repressive type. We would thus witness the "South Americanization" of Mexico.

This is not a prediction, but it is a possibility. The realization of potential scenarios will depend, as I said at the outset, on the nature of the problems and on the capacity of leadership. A cataclysmic depression in the capitalist world would, for example, have such disastrous consequences for the Mexican economy as to be beyond the reach of national leadership alone; other external events (such as a U.S. invasion of Central America) could also pose serious threats to stability. But barring an exogenous catastrophe, Mexico's leadership will still have space and time to make some choices. There exist contingencies and variations; alternatives are not yet foreclosed. The most critical single event in the next five years will almost certainly be the presidential succession of

1988. Whatever its substance and form, it will have far-reaching effects on the subsequent development of the system and on the relative position of the country's technocrats and intellectuals.

#### PROSPECTS FOR U.S.-MEXICAN RELATIONS

In summary, Mexico faces three basic political futures. Contrary to some observers, I do not think there is any serious likelihood that Mexico will fall victim to a radical revolution or a radical takeover within the foreseeable future. The first of the plausible possibilities, and the one that De la Madrid has so far sought, would be restoration of the status quo ante--that is, of the traditional compacts in existence up to 1982--a reconstruction of the old-time alliances and political practices. A second scenario envisions genuine liberalization of the political system, an extension of the institutional reforms of the late 1970s and an acceptance of meaningful challenges from both left and right. A third possibility, disturbing and realistic, entails a "hardening" or derechización of Mexican politics, with a sharp increase in repression and a conservative alliance between technocrats and soldiers.

What implications have these scenarios for U.S.-Mexican relations? Assuming that the United States retains its present posture towards Mexico and Central America, I would expect the first possibility, preservation and restoration of the status quo, to be the most congenial for U.S. policymakers, especially

if De la Madrid selects a successor who will follow the course that he has set. I would expect the second option, liberalization, to be the least congenial for present-day Washington, since it would presumably involve a shift toward the left and an accommodation with (or cooptation of) intellectuals and other leftist groups. In the short run, democratization in Mexico would thus increase the probability of friction with the U.S. rather than diminish it.

The significance of the third scenario--hardening--is less easy to evaluate, partly because we know so little about the attitudes and outlooks of Mexico's military officers (see Issue #9). They might be eager to collaborate with the U.S. or they might adopt a hard-line nationalist stance. My guess is that the outcome would depend, at least in part, on the conditions that precipitate any hardening or derechización. The foreign-policy correlates of this scenario strike me as volatile and ultimately unpredictable.

Observers and pundits frequently imply that the primary responsibility for the management and improvement of the U.S.-Mexican relations belongs to Mexico. It is Mexico's task to find a way to pay its debt, Mexico's obligation to find employment for its workers, Mexico's duty to extirpate the forces of corruption, Mexico's challenge to reconcile political stability with democratic evolution. The U.S. has done what it can, according to this view, and the next steps are up to



Mexico.

I find this argument self-serving and oversimplified. What Mexico does will no doubt be of crucial importance, but this is no time for the U.S. to adopt a passive role. U.S. analysts and policymakers will confront two basic issues in the years ahead: first, what is the U.S. national interest regarding Mexico? is it more than the sum of particular interests? if so, how should it be defined? by whom? and second, should the U.S. pursue a genuinely "special relationship" with Mexico and give it preferential treatment? if so, how and why?

My personal opinion is that the United States has a profound and persevering interest in Mexico's political stability and in its peaceful evolution. The U.S. has been extremely fortunate in having such a secure and friendly neighbor to the south (and another one to the north); one has only to imagine alternatives (Nicaragua, El Salvador, Guatemala) to appreciate that simple fact, and to realize that relative tranquillity along the Mexican border has enabled the U.S. to project its power in other parts of the world.

It is my further opinion that, in the long run, some measure of internal democratization in Mexico will protect and consolidate this remarkable advantage for the U.S., though this scenario would necessarily entail some short-run conflict. Only time will tell whether Washington has the vision and capacity to accept such a reality.

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ISSUE #5

"WHAT IMPACT WILL MAJOR GROUPS HAVE ON POLICYMAKING?"

BY

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What Impact Will Major Groups Have on Policy-Making?: Trends in Government/Business Relations in Mexico (Issue Paper #5, prepared for working group on "Mexico: The Next Five Years")

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This paper summarizes some general propositions about interest group politics in Mexico and then analyzes recent trends in government/business relations. Two central premises are that the logic of the political system is undergoing changes since 1970 and thus the received wisdom about interest politics may require modifications; and that, because renewed economic growth is the primary domestic issue, the key concern is the business/-government pact. The paper sketches the main actors involved in this renegotiation and then characterizes the terms of the dialog during the first half of Miguel de la Madrid's government (1982-88). The "looking ahead" section of the paper argues that, unless the debt and oil price situation becomes unmanageable, the present government will continue its policy of economic opening, and suggests how trade and investment liberalization creates a difficult domestic political challenge. The policy of opening is

clearly in the interests of the United States, but it may intensify some bilateral problems. Further, the United States can best facilitate the policy of opening by maintaining publicly a separation of bilateral from regional policy concerns and by avoiding a high-profile endorsement of economic liberalization.

An Executive Summary and a list of abbreviations appear on pages 26-27.

#### Interest Politics and Government/Business Relations

Authoritarianism has served as the reigning interpretive model for Mexican politics since the mid-1960s, replacing the previous and short-lived image of that nation as evolving toward something like pluralist democracy. Interest group politics in authoritarian systems are characterized by limited pluralism, low subject mobilization, and a state interest. That is, groups are recognized but their behavior is closely constrained by political authorities; independent and active movements are discouraged; and government is guided by an elite consensus on more or less coherent programmatic goals.

The authoritarianism model led to more accurate and suggestive analyses of interest politics in Mexico. It more fully accounted for patterns of state initiative and apparent group passivity. With some critical revision, this approach allows one to sum up in a rough ad hoc fashion a set of propositions about interest politics in Mexico:

--the state during the 1930s-40s was the major force in shaping Mexican society;

--a system of interest representation was constructed

by government in a top-down fashion to encompass most organized groups;

--the formal system encompasses perhaps a majority of Mexican society, but a much smaller proportion, limited largely to a minority of middle- and upper-strata urban dwellers, participate actively in interest politics;

--labor, peasants, and ~~middle~~ <sup>middle</sup> sector groups (including some businessmen) are represented in both the PRI and the government bureaucracy;

--diverse producer and commercial interests are organized into both mandatory chambers (e.g., CONCAMIN, CONCANA-CO), as well as into voluntary associations (e.g., COPARMEX);

--the formal system of representation is structured along quasi-corporatist lines, with functional criteria (e.g., labor, producer, peasant) generally more significant than geographical boundaries;

--government most closely controls lower-strata groups and grants preferential status to producer interests, upper and middle sector groups, and selected elites (e.g., university students, intellectuals);

--government bureaucracy is coherent and responsive to presidential control, but a degree of autonomy and bureaucratic politics affects policy-making;

--the formal system of interest representation is supplemented with complex informal (friendship and patron-client) networks that guide ~~benefits~~ <sup>benefits</sup> to the privileged and permit communications with out groups (e.g., the Catholic Church);

--a coherent state interest sets out programmatic goals, which each administration can translate into concrete programs;

--in general, policy initiatives originate in the executive branch, involving the presidency at some point, and interest groups are largely limited to reacting to government;

--in policy-making, the formal architecture of interest representation may be active in policy formulation (depending on the attitude of the presidency), but the tendency is to focus on consultation during policy implementation; the informal networks concentrate on policy implementation;

--interest associations, reflecting government structures and processes, are highly centralized; and,

--the legitimacy of the Revolutionary projects (nationalism, liberalism, welfare) along with continuous economic growth provide a consensus that supports interest politics.

Formulated during the 1960-70s, the wisdom about interest politics has not yet registered fully the significance of the sexenios of Luís Echeverría (1970-76) and José López Portillo (1976-82). A premise of this paper is that the basic pacts that underpinned interest politics in Mexico since the 1940s are now being challenged and may be substantially modified. Thus, the received wisdom about interest politics may prove an unreliable guide during this period of transition.

The postwar emphasis on rapid industrialization through fomenting an import substitution industrial base (a policy that later became fine-tuned and successful as "stabilizing development") created a working consensus that comprised an effective state interest. The increasing structural tensions (as seen, inter alia, in income maldistribution, neglect of rural development, and insufficient employment creation) as well as political rigidities led some to question the efficacy of stabilizing development. By reviving a populist emphasis akin to something out of the 1930s, Echeverría introduced a note of discord in the idea of a coherent state interest. His very rapid expansion of government bureaucracy and sphere of economic activity created tensions within government and PRI and with the business community, as did his rhetoric of "revolutionary nationalism" and

activist foreign policy. Disagreements within the Lopez Portillo government surfaced from time to time about the proper course of economic policy. An oil boom following on the heels of an austerity program culminated in a financial panic and the bank nationalization and currency controls of September 1982.

The government of Miguel de la Madrid (1982-88) finds itself in a situation significantly different from that of its predecessors. Increasingly important middle-sector groups, such as entrepreneurs, students, and professionals, present special problems for the PRI-government system due to their heterogeneity and more exacting standards of efficiency and democracy. Continuous growth has given way to austerity; confidence in the skill of the political class is deeply shaken; and old rules and patterns are increasingly questioned.

Addressing the theme of the impact of major groups on policy-making, the single most important domestic issue currently confronting the Mexican government is the renegotiation of a workable set of government/business agreements that will overcome mutual distrust and clear the way for resumed domestic investment (assuming that capital becomes available in the ongoing liquidity squeeze). A renewed pact is critical because growth was a requisite of the previous order and there is no other obvious source of finance: petroleum revenues are highly mortgaged to debt servicing; there is little likelihood of substantial voluntary foreign private lending; and increased direct foreign investment will be insufficient.



The main participants in these negotiations include the Mexican government (presidency, bureaucracy and party), the business community (both domestic and foreign) and certain closely involved groups (especially labor unions and the national intelligentsia), each of which operates with complex and conflicting agendas as well as significant resources and constraints. The simultaneous equations to be solved are (1) a mutually acceptable government/business pact, and (2) agreement on Mexico's foreign trade and investment policies. A successful renegotiation depends also on external factors: regional peace, manageable debt, and increasing opportunities for exports. The devastating earthquakes that struck western and central Mexico in September 1985 further complicate the calculations.

Presidency, Bureaucracy, and State Interest

In some respects the Echeverría presidency hastened trends already underway in Mexican government. Government planning, increased state participation in the economy, and attention to social overhead expenditure and the agriculture problem were increased in tentative fashion under Gustavo Díaz Ordaz (1964-70). Echeverría's interpretation of the political crisis of 1968, joined with the severity of the economic downturn of 1970-71, and expressed in his own abrasive style explain some of the frenetic pace of change during his sexenio. With oil income, the López Portillo government renewed the statist trends following the retrenchment of 1977-78. The rate and nature of change in public sector activity during 1970-82 are important in

order to grasp some of the present government/business tension. To give some idea, public sector expenditures as a percentage of GDP rose from 21.7 in 1970 to 41.4 in 1981, prior to the bank nationalization. Public sector income failed to keep pace, rising from 19.8 to 27.0 over the same period.

Echeverría began his administration with essentially good relations with the private sector, despite his revolutionary nationalist rhetoric. Businessmen were long accustomed to politicians' populist rhetoric belied by practical support, and Echeverría was considered initially a conformist product of the system. The creation in 1971 of a National Tripartite Commission (government, labor, business) to concentrate on defining and resolving national, as opposed to sectorial or specific issues, seemed to provide a new channel of representation for business. Echeverría continued to subsidize and protect Mexican business during most of his term, but relations with the private sector deteriorated. Causes included the president's sponsorship of tax reform, controls on foreign investment and technology transfer, the pace of expansion of public enterprises into production and commerce, and his increasing alliance with organized labor. The assassination by terrorists in September 1973 of Eugenio Garza Sada of the Monterrey group, who had acted as a mediator between business and government, proved a pivotal turning point toward worsened relations. By 1976 charges and countercharges between government and business associations led to significant capital flight and the government's large-scale land expropriation of

in Sonora. Business groups emerged from the episode with a new and independent peak organization, the Business Coordinating Council (CCE, formed in 1975), and a more strident anti-government orientation.

José López Portillo also began his term with essentially good relations with business groups. By emphasizing political reform to guide dissent into legitimate channels and administrative reform to bring coherence to an expanded and unwieldy bureaucracy, López Portillo was able to make government planning and legalization of Left parties less objectionable to business interests. His Alliance for Production was an effort to enlist both business and labor in a pact to control wages and prices to make an IMF-negotiated austerity program succeed. With the massive new petroleum discoveries for financing, López Portillo defined three stages of two years each to first consolidate, then prepare for, and finally to achieve high growth. For a variety of reasons, the president moved directly to a high growth emphasis in mid-1979, reaching real GDP growth rates in excess of 8% per annum during 1980-81. A series of assumptions about rising oil prices, declining interest rates, and rapid international economic recovery proved incorrect. When signs of an oil glut appeared in April-May 1981, the government first delayed cutting oil prices, then adopted a series of inadequate responses (due in part to the complications of the presidential succession). Inflation accelerated, as did deficits in the balance of payments and of trade as well as in public sector financing.

Watching developments with growing concern, many in both government and the private sector began to speculate against the peso, increasing the pace of capital flight. Events seemed out of control by mid-1982, culminating in the bank nationalization and currency controls of September 1.

By rupturing the "mixed economy" pact that had governed relations between government and business since 1925, the bank nationalization thoroughly traumatized many elements of the private sector and the middle strata generally. Not only were the banks a significant source of investment capital for Mexican industry, they also provided a channel of access for the private sector in its dealings with government. The initial reaction by business leaders to the bank seizure was surprisingly muted, perhaps because of the substantial public support shown for the President's dramatic move. Also, many private firms, which had been encouraged by government to borrow abroad during the oil boom, found themselves technically (or effectively) bankrupt by 1982. By acquiring the stocks ~~held~~ by banks, government involvement in the private sector increased substantially. Virtually no business of any size was free from dependency on government in some form, and the more significant firms, including the Monterrey conglomerates, were deeply beholden to government. As significant as the public support for the bank nationalization was the increasing outflow of capital (about U.S.\$ 8 billions during 1982) and the widespread adoption of a defensive savings and investment posture.

As the PRI's presidential candidate, Miguel de la Madrid had indicated reservations about López Portillo's "economic populism," and as president-elect, he showed little enthusiasm for the bank nationalization. But two factors worked to complicate his government's relations with the private sector. By introducing amendments in December 1982 to raise planning, state tutelage of the economy, and the notion of a "social sector" to constitutional status, he provoked strong criticism. More important, though, was the new president's support for opening the Mexican economy toward greater foreign trade and investment. If the bank nationalization ruptured the old pact, economic opening pointed the way toward a new order, which the majority of businessmen rejected.

With this bit of background, two aspects of state behavior merit comment: the significance of "revolutionary nationalism" as state ideology (what it is and how it is perceived by businessmen), and the general policy orientations of the central government bureaucracy.

The Mexican Revolution produced a strong statist tradition, which is embodied in provisions of the 1917 Constitution (e.g., Articles 25-28) and implemented in policies such as the petroleum nationalization of 1938 and restrictions on foreign ownership of land within Mexico. In the postwar period the statist tradition was tempered with political pragmatism and consistent support for the private sector. Businessmen perceived this pragmatism to be rejected by Echeverría, who was seen to reinvigorate the populist

heritage and move toward a social democratic ideology, which he labelled revolutionary nationalism. Essentially, revolutionary nationalism follows the mainstream of modern social democratic ideology, positing a mixed economy under state tutelage, central planning (of the indicative sort), and increased welfare. López Portillo tended to downplay the ideology, appearing at times even to toy with the labels ~~nationalist~~ revolutionary, revolutionary nationalist. President De la Madrid associated himself with the ideology from the time of his campaign, but his formulations of the ideology stress a balance of individual liberties with equality and social justice.

In the eyes of many in the private sector, revolutionary nationalism takes on a special and ominous meaning. To them, it was introduced by the marxist Vicente Lombardo Toledano in the 1930s and subsequently smuggled into the PRI in 1972 by Jesús Reyes Heróles where it was adopted by Echeverría and further propagated by party theoretician Enrique Ramírez y Ramírez. It is seen as Leninist in origin, and serves as a covert strategy of the socialist international for the construction of socialism in developing countries. Especially significant are the adoption of government planning and the expansion of the government bureaucracy into spheres of private sector competence. De la Madrid is seen as firmly committed to the program, and his advocacy of planning and the state rectorate of the economy are proof positive that the socialist project continues apace.

The central government bureaucracy, dominated by the

presidency, is the main source of public policy. Research generally shows that public sector personnel are recruited from different sectors of the middle strata and study different fields in comparison with private sector businessmen. Also, as might be expected, public sector personnel tend to adopt more statist views than their private sector counterparts. The sum of these factors is the relatively great social distance between public and private sectors, in contrast to the case of Colombia, for example, where there is greater migration between camps. The phenomenon of the old-style politician-businessman provided a bit of a bridge between sectors, although the politician-entrepreneurs tended to favor such activities as construction rather than industry or finance. With the rise of the technocrats, whose careers depend more completely on the growth and importance of the public bureaucracy, this social distance has probably increased.

Lacking a career service and marked by high rates of turnover at the policy-making levels, the central bureaucracy is still reasonably coherent and responsive to presidential leadership. Mexican "bureaucratic politics," however, are quite different from those of the United States. Rather than "iron triangles" made up of interest group, congressional subcommittee, and agency subdivision, one finds rather formalistic interest activity, negligible congressional involvement, and much diluted agency and subagency orientation. The attitude of the president sets of the tone of agency behavior. Nonetheless, agency

orientations are identifiable to some extent and do count in policy-making. Such attitudes are significant in the president's effort to build a consensus for policy. This is especially the case when the policy touches on the nature of the government/business pact.

Taken in the context of a strong state as rector of a mixed economy, one can say that a pro-private sector outlook characterizes the Bank of Mexico, the Finance Secretariat (SHCP), and the Planning and Budget Secretariat (SPP). A more complicated and ambivalent outlook characterizes the Secretariat of Commerce and Industrial Development (SECOFIN), which is charged with regulating many aspects of market transactions and with promoting industrial development, and the Secretariat of Agriculture and Water Resources, which tends to represent the larger-scale agri-business interests. The Secretariat of Mines and Parastatal Enterprises (SEMIP) tends to adopt an anti-business outlook, largely because its main constituency is government enterprises. Again, it is inaccurate to ~~adopt a~~ bureaucratic politics perspective, because there is no career service (with the limited exceptions of the Bank of Mexico, Foreign Relations, and the armed forces), which tends to disrupt interest group linkages with bureaucracy. Also, there is a tendency to place officials with different perspectives on policy questions in the same agency.

#### Business Groups and Ideology

Six peak business associations are most active in the



national level dialog on government/business relations. This is not to suggest that specialized chambers (e.g., chemicals, export-import) or certain regional chambers (especially Monterrey, Puebla, and Guadalajara) are unimportant. Rather, in the case of the former, they tend to look after the interests of their constituents, while the latter tend to follow the lead of the national groups.

CONCAMIN (industry) and CONCANACO (commerce) are obligatory chambers. With considerable inflation over the past decade, even quite small-scale firms qualify for the minimum peso volume that determines membership. The local chambers in turn are affiliated with state and national chambers, providing a percentage of members' dues to support the higher associations. CANACINTRA (transformation industries) is a member chamber of CONCAMIN, but has a special identity due to its close cooperation with government in promoting import-substituting industrialization. With large and diverse memberships (CONCAMIN claimed some 94,000 members as of 1979, CONCANACO some 400,000), it is difficult for the peak associations to reach clear cut positions on many specific issues. Some general concerns (e.g., support for tax incentives, the protection of GSP eligibility for Mexico) would promote unity. A continual tension within these peak associations is that between the large- and small-scale enterprises.

COPARMEX is significant as a voluntary association which embraces virtually all fields of enterprise, including finance. Chartered under labor legislation as an "employers' union,"

COPARMEX claims some 18,000 members, most of whom belong also to one or another of the obligatory chambers. COPARMEX tends to take a harder line in government/business relations, reflecting more the Monterrey mindset of its founders. Another voluntary association, the CMHN is an elite group of some 30 or so top Mexican entrepreneurs who generally own and operate their own firms. Formed in 1958 to combat erroneous foreign perceptions of Mexico, the CMHN has not been studied as extensively as the other business groups.

The CCE was created in 1975 to orchestrate a business response to Echeverria's anti-business rhetoric and actions. Comprised of the peak associations noted above (plus the insurance group, AMIS), the CCE tends to stress the general issues of trends in the economy and overall government policies. With the Private Sector Center for Economic Studies (CEESP), which carries out economic, social, and political research, the CCE generates a steady stream of information to its members, government, and the media.

In very general terms, business leaders tend to rotate frequently from one to another of the associations, with little important distinction drawn between industry and commerce. There is some minor movement of leaders from the business associations to government but virtually none in the other direction. Government tends to exercise greater influence in the leadership selection in the obligatory chambers (CONCAMIN, CANACINTRA, CONCANACO) than in the voluntary associations. But even in the

latter groups, government exercises some degree of influence if only by members' anticipation of government response. Patterns of leadership selection are an indicator of trends in government-/business relations, as the various candidates' views on these issues are generally known.

The groups perform important representation functions for their members, and surveys show that business firms cite participation in chambers and associations as a principal activity. In their periodic public meetings with government officials, as well as in a variety of public statements, the associations set the tone of business/government relations. They provide data about legal, economic, and political developments, which are especially helpful to their smaller-scale members. And they provide ideological guidance as well. The associations strictly observe a policy of nonpartisanship, but insist that individual businessmen should take part in political activity as a civic duty.

Business ideology is a blend of eighteenth- and nineteenth-century liberalism and Catholic social thought of the early twentieth century. The individual is the basic unit of society, and individual freedom and dignity should be the principal goals of the state. Private property is a natural right, not one conceded by the state, and the defense of property against state encroachment is critical in order to prevent totalitarianism. Property should serve a useful social purpose by generating wealth and employment. Employers should observe responsibilities

to their workers in keeping with the goals of human freedom and dignity. The mixed economy is desirable, with government attending to public order, essential services, and activities beyond the capacity of private enterprise. Generally, the principle of subsidiarity should be observed, such that social functions should be performed by the smallest capable units (i.e., individual, family, private firm, local government), with national government strictly limiting its involvement.

#### Labor and the Nationalist Intelligentsia

Labor unions will influence the renegotiation of a government/business pact, because the unions constitute the backbone of the PRI, which in turn serves as a critical pillar of support for the presidency. The nationalist intelligentsia, for want of a better term, will also influence the outcome, because elite opinion carries weight in policy-making, and in this instance the majority of commentators express anti-business views.

The Congress of Labor (CT) was formed in 1967 and consists of some 34 unions with an estimated membership of 4 to 5 millions. With roots in the populist government of Lazaro Cardenas (1934-40), the labor movement preserves something of a class-struggle ideology and rhetoric, although this was tempered by the expulsion of Vicente Lombardo Toledano from the CTM in the mid-1940s and the more pragmatic bent of the subsequent leadership of the Fidel Velazquez group.

Workers generally have borne much of the sacrifice of the economic crisis of the 1970s-80s, with wages and salaries as a

percentage of GDP declining from 48.1 in 1975 to 30 in 1984. The minimum wage is insufficient to sustain a family of five, and an estimated 60% of the workforce earn less than the minimum. Faced with economic stagnation, union leaders have concentrated realistically on the broader concept of the social wage (food subsidies, employer contributions to social security, housing, and the like) and political concessions. Some political concessions are of the traditional type (e.g., electoral offices), but a more recent and significant demand is the "social sector," which is of special concern to business leaders.

The concept of the social sector, if not the term itself, first appeared in the Constitution of 1917 with reference to the ejido, a form of cooperative land tenure. It reappeared in a vaguer form in the vocabulary of the 1970s (e.g., government planning documents) in reference to the mixed economy as consisting of public, private, and social sectors. The latter referred ostensibly to the ejidos and cooperatives, including union cooperatives. By 1980, union theoreticians, such as Arturo Romo Gutiérrez, began to advocate greater government support for the social sector as a means of correcting the flaws of the mixed economy. The unions were not particularly pleased with Miguel de la Madrid's nomination for the presidency in 1981, and as part of the price for their support for him and for the austerity program, they sought and received constitutional status (Article 25) for a broader conception of the social sector. In March-April 1985 the CT won commitments from the government to imple-

ment legislation and provide funds to support the social sector. Businessmen oppose the social sector on the practical grounds that the government will subsidize a variety of union enterprises, thus fortifying the union leadership and creating yet another front of disloyal competition (in addition to the public enterprises). They also oppose the theoretical justification of the social sector as a realistic step toward a more humane society.

Striking by its absence from the mainstream of Mexican intellectual discourse is an articulate voice in defense of Mexican private enterprise. The prevailing bias of the principal Mexico City dailies (e.g., Excelsior, Unomásuno, La Jornada, Universal) as well as opinion and cultural magazines (Proceso, Nexos, Vuelta) is anti-business. Business finds sympathy and defenders in the electronic media (especially those controlled by Televisa), in conservative magazines such as Impacto, and in some provincial newspapers (Monterrey's El Norte is a good example). In general, however, business finds it difficult to articulate a persuasive case and then to penetrate the intellectual mainstream. The obvious implication is that government and labor enjoy a mobilized bias in their dealings with business. At the same time, this mindset makes it difficult for government to grant concessions to business in public fashion.

#### Government/Business Relations during 1983-85

Recognizing the abuses of reality, it is useful for analytical purposes to adopt the perspective of one of the actors and

to divide government/business relations into economic and political categories and also into "normal" versus "exceptional" relations. Table 1 summarizes the result of such an exercise. Clearly, all issues are ultimately political, but some deal with the day-to-day concerns of business. The division between normal and exceptional comes at different times for different businessmen, but the bank nationalization of 1982 is a clear divide. The key theme to stress is that the De la Madrid government appears to have concluded that further growth, employment creation and greater efficiency cannot be achieved through continued expansion of the public sector. Rather, progress must come from a reinvigorated private sector.

To an outside observer, it would seem that the De la Madrid government has made considerable efforts to simply preserve the private sector, and then to win its confidence. From the business perspective, though, the present government receives mixed ratings with respect to normal economic relations. What seemed to be a determined course of "economic realism" and austerity during 1983 and early 1984 (the PIRE) gave way in the latter part of the year and the first quarter of 1985 to rapid deficit spending, inflation, and overvalued exchange rates. The maxi-devaluations of July-August, 1985, along with budget cuts, bureaucratic trimming, and government layoffs were offered by government as evidence of continued commitment to austerity. They were seen by some critics, however, as necessary adjustments for previous policy errors.

161

Table 1. Mexico 1985. Business Perspectives on Business/Government Relations

	Normal relations	Exceptional relations
Economic	<p>Long-term predictability of of government policy; Inflation control; Realistic exchange rates &amp; price controls; Generous protection &amp; subsidi- dization; Light taxation; Reduced bureaucratic controls; No disloyal competition from government enterprises.</p>	<p>Economic opening (priority issue, splits both government &amp; business); Fewer controls on foreign investment; Privatization of parastatals,</p>
Political	<p>Real consultation with business; Labor peace; Political pragmatism (no popu- list rhetoric, no scapegoating business; Pragmatic foreign policy (emphasize relations with U.S., avoid divisive adventures).</p>	<p>Limit presidential power (constitutional change, institutional constraints); Constitutional status of state sectorate of economy; social sector; Businessmen in partisan politics; Real electoral competition (honest elections); Freedom of instruction; Privatization of the <u>efido</u>.</p>



The present government might get higher marks on its normal political dealings with business. De la Madrid has attempted to open channels of communication with business groups; he has taken a generally firm line on wages; and he has consistently avoided the anti-business rhetoric of his predecessors. While some businessmen still might criticize Mexico's leadership in the Contadora Group, De la Madrid's approach to the Central American crisis has sought a lower profile in a multi-lateral effort. But even with respect to normal relations, the government's relaxation of austerity during 1984 sent a chill through many in the business community, who were watching for a replay of the two previous governments' contradictory behavior of starting a sexenio with firm policy and ending it in chaos.

The more difficult issues involve the extraordinary relations (Table 1), those that might transform the Mexican political economy. Here, the question of economic opening rearranges the coalitions that dispute normal relations. The presidency, parts of the bureaucracy (SHCP, SPP, Bank of Mexico, SECOFIN), and a minority of businessmen (COPARMEX, larger-scale firms of CONCAMIN and CONCANACO, ANIERM) favor a policy of gradual opening, including entry into GATT. Opposing this policy are other parts of the bureaucracy (Foreign Relations, SEMIP), the majority of small- to medium-sized industries (represented especially in CANACINTRA), as well as the vocal intelligentsia. To date, the president has moved steadily toward opening, preparing public opinion and attempting to generate support.

Equally firmly, the De la Madrid government has resisted efforts by some business leaders to transform Mexico's presidential system. These disaffected leaders maintain that the PRI-government system constitutes the major impediment to the modernization of Mexico. Even if De la Madrid proves to be a steady and competent leader, his immediate predecessors showed the extreme dangers of capricious abuses of power. Thus, to restore business confidence, it is necessary to limit presidential power. This should be done through constitutional reforms, bolstered with real decentralization, greater citizen participation, and vigorous opposition parties competing in honest elections.

The president has indicated repeatedly (in speeches in March, July and September of 1985, for example) that important structural changes are being carried out under difficult circumstances in the context of Mexican democratic institutions. The message seems clear enough that the PRI-government will create political spaces for opposition currents and will permit free expression. The system will not tolerate, however, business interests working through the main opposition party (PAN) in an effort to create "a new majority," especially if these interests are seen to ally themselves with the Republican party and U.S. federal executive branch. Business support for the PAN in the Chihuahua local elections of 1983 seems to have been a turning point in government attitudes. In 1984-85 the PRI leadership took a hard public line against "neopanistas" and

their anti-national, anti-revolutionary programs. An even harder line was taken when necessary by the CT and CTM. One might interpret the official fraud perpetrated in the Sonora and Nuevo Leon elections in July 1985 as yet another message that this president will not permit changes in the presidential system.

About the Future, and Implications for the United States

It would seem that the De la Madrid government will continue its steady movement toward economic opening, even though the short-term political calculus would argue against such a policy. There seems to be no obvious alternative to opening if the government seeks to stimulate productivity, growth, and new investment. The precise goal of the policy, whether GATT or something else, and the timing of the opening, whether gradual or abrupt, remain to be seen. What might derail the policy is a conclusion by the Mexican government that the combination debt, oil prices, and trade restrictions render economic liberalization simply hopeless.

Economic opening presents political difficulties, because such a policy would weaken the PRI-government's bases of support and strengthen those of actual or potential opposition. If opening harms the smaller-scale, less efficient firms, the CANACINTRA and affiliated unions, generally those of the CTM, would be the first to feel the shock. Similarly, to the extent that opening implies a more efficient government, the public employees' unions of the FSTSE would face problems of wage controls, cutbacks in fringe benefits and worker dismissals.

Relaxing investment restrictions in the rural areas would seem to transform, if not eliminate, the gildos, which have contributed the core of the PRI's vote since the 1930s. At the same time, a policy of opening would seem to strengthen the larger-scale, more efficient firms, many of which are located along the northern border and in the cities of Puebla, Monterrey, Guadalajara, and Hermosillo. It would also promote the founding of new firms, many with majority foreign ownership, especially in areas complementary to the U.S. economy.

A policy of opening could be made politically feasible by preserving the essential elements of the old coalition and winning over new allies. First, the petroleum workers (SRTPRM) and public school teachers (SNTE/Vanguardia) comprise the core unions in the CTM and FSTSE, respectively, and would be relatively unaffected by opening. Second, the CTM would benefit from renewed economic growth, especially if it is permitted to organize workers in new firms. Third, the more efficient parastatals would be ~~preserved~~ and perhaps strengthened by new joint ventures with foreign capital. Finally, control over the reorganized gildos might be retained given the PRI's superior organization and resources.

Perhaps more difficult is the problem of reconciling opening with the nationalist project of the revolution. Symbolically important policies such as 51% Mexican ownership, parastatal control over strategic or essential services, and the sanctity of the gildo would be challenged by opening. The nationalist

intelligentsia would be expected to protest vigorously. Given the hard nationalist line taken by De la Madrid and the PRI leadership with respect to the elections, and the continuing drum beat of domestic criticism about Mexico's honoring its debt obligations, the policy of opening might be difficult to sustain.

To gain some appreciation of the magnitude of these changes, one should recall that similar economic liberalization policies in Brazil, Argentina, and Chile were hammered into place not by politicians and political parties but by technocrats and armies, and at considerable human cost. The PRI-government system can probably manage such changes, but it will require exceptional leadership and a benign international context. Miguel Aleman's administration (1946-52) comes to mind as the historical analogue.

Mexico's economic opening clearly serves U.S. interests, because it allows greater access to consumer markets and more opportunities for economic complementarities in agriculture and industry. At the same time, opening could create difficulties in bilateral relations by encouraging different expectations of policy linkage.

Many Mexicans view trade and investment liberalization as concessions, and they would expect reciprocal concessions from the United States, possibly in the areas such as illegal migration, boundary disputes, North/South relations, and the like. On the U.S. side, the prevailing view is that economic opening is simply a long-postponed recognition of reality and that no

additional concessions are warranted. Even further, as economic opening brings about closer commercial ties, voices in the United States can be expected to argue that Mexican foreign policy should more closely parallel its economic and commercial policies. More bluntly, Mexico's recognition of economic reality should be accompanied by a recognition of the political reality of bringing its foreign policy into closer alignment with that of the United States. Thus, those Mexicans who have argued that U.S. trade policy has long been conditioned by Mexican foreign policy--an arguable proposition in the past--will have still more grounds to argue against trade and investment liberalization.

The most obvious policy prescriptions for the U.S. executive branch are to reiterate publicly the longstanding policy that bilateral relations in their entirety are more important than any single issue (e.g., commercial relations, Mexico's Central American policy), and to couch carefully public comments on issues related to economic opening. Speaking out too stridently or bringing to bear too much pressure, as many perceived to be the U.S. posture during the 1979 GATT debate in Mexico, is simply contraproductive. This is especially the case when we consider that many U.S. congressmen, already irritated with Mexico about trade, tourism, illegal drugs, and foreign policy issues, can be expected to speak out harshly in the coming months.

#### Executive Summary

Changes since the early 1970s call into question the received wisdom about interest group politics in Mexico. The

idea of a coherent state interest must be reexamined, and the strength of underlying pacts has declined. The most important domestic issue is the renegotiation of a business/government pact that will open the way toward a renewed cycle of savings and investment. The De la Madrid government has attempted to make concessions to business interests in order to restore confidence, but so far without complete success. At the same time, the president has resisted efforts by some businessmen to transform the nature of Mexico's presidential system. The Mexican government is apparently committed to a policy of trade and investment liberalization, even though this implies domestic political costs. Economic opening is clearly in U.S. interests, but it may imply difficulties in bilateral relations in creating conflicting expectations in Mexico and the United States about the linkages between economic policies and other domestic and foreign policies.

#### Abbreviations

AMIS - Mexican Association of Insurance Institutions  
 ANIERM - National Association of Importers and Exporters of Mexico  
 CANACINTRA - National Chamber of Transformation Industries  
 CCE - Business Coordinating Council  
 CEESEP - Center for Private Sector Economic Studies  
 CMHN - Mexican Council of Businessmen  
 CONCAMIN - National Confederation of Chambers of Industry  
 CONCANACO - National Confederation of Chambers of Commerce, Services, and Tourism  
 COPARMEX - Mexican Employers Confederation  
 CT - Congress of Labor  
 CTM - Confederation of Mexican Workers  
 FSTSE - Federation of Public Employee Unions  
 GATT - General Agreement on Tariffs and Trade  
 GDP - Gross Domestic Product  
 GSP - Generalized System of Preferences  
 IMF - International Monetary Fund  
 PAN - National Action Party  
 PIRE - Immediate Program for Economic Recovery  
 PRI - Institutional Revolutionary Party  
 SECOFIN - Secretariat of Commerce and Industrial Development  
 SENIP - Secretariat of Mines and Parastatal Industries  
 SHCP - Secretariat of Finance  
 SPP - Secretariat of Planning and Budget  
 SNTE - National Public School Teachers Union (Vanguardia is the dominant faction)  
 SRTPRM - Mexican Revolutionary Petroleum Workers Union

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ISSUE #6

"WHAT ARE THE IMPLICATIONS OF  
CENTRAL AMERICAN CONFLICTS FOR MEXICAN POLITICS?"

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## Contents

Introduction . . . . .	1
Threats to Relations with Latin Neighbors . . . . .	2
Threats to Mexico-U.S. Relations . . . . .	7
Threats to Mexico's Development . . . . .	9
Threats to Progressive Legitimacy . . . . .	12
Threats to National Unity . . . . .	16
Mexican Policy in the Next Five Years . . . . .	22
Implications for U.S. Policy . . . . .	25
Executive Summary . . . . .	28

## Introduction

Central American conflicts pose multi-facted threats to Mexican political stability and have therefore helped promote Mexico's new activism in regional affairs. This paper analyzes these threats, emphasizing Mexican perceptions of them as the chief driving forces behind Mexico's Central American policy. Some of the threats concern Mexico's relations with neighboring nations; others more directly involve power relations within Mexico itself. Throughout, but especially toward the end, this paper also explores the possible impacts of alternative U.S. policies and speculates on Mexican policy for the immediate future.

First, however, a brief sketch of recent Mexican policy initiatives in the region provides a factual background for the analysis of motivations and implications. Until 1970, Mexican foreign policy was generally consumed by Mexico-U.S. relations. The independence that Mexican foreign policy achieved was based largely on its insistence on non-interventionism and on national sovereignty in the face of the U.S.'s hegemonic policies. President Echeverria's enthusiastic championing of Third World issues began to alter traditional patterns and Lopez Portillo's efforts, strengthened by oil discoveries and perhaps by diminished U.S. influence, converted Mexico into a regional power. Whereas Mexico had generally ignored Central America, Lopez Portillo extended aid to the insurgent Sandinistas and in 1979 broke relations with Somoza. Thus, for the first time, Mexico (a) began to back its foreign policy rhetoric with substantial resources and (b) broke diplomatic relations because of another nation's domestic policies, an obvious reversal of the Estrada Doctrine of granting recognition to all governments.

With Sandinista victory imminent, Mexico helped block U.S. proposals to intervene with a multi-national force and quickly became a chief backer of

the new regime. In 1981, Mexican support for El Salvador's Left led to a joint communique with France urging governmental recognition of and negotiation with the insurgents. That Mexico would be roundly denounced by Latin American nations for interventionism showed how far Mexican policy had evolved. Subsequently, Mexico tried to arrange a comprehensive regional settlement and pushed U.S.-Cuban negotiations, but usually met with U.S. rebuffs; for its part, Mexico rebuffed U.S. invitations to join talks that excluded actors on the Left and it did not support U.S. efforts to present the 1982 Salvadorean elections as central to the peace process. Instead, Mexico continued to press the U.S. not to arm the Contras and to pledge not to overthrow the Sandanistas as long as Nicaragua would pledge not to bolster guerrillas in other nations. Fresh initiatives with Venezuela culminated in January 1983 with formation of the Contadora group, incorporating Colombia and Panama. In 1984, Mexico hosted monthly U.S.-Nicaraguan talks and vigorously sought Latin American support, as when de la Madrid successfully journeyed to Argentina and Brazil.

Repeatedly, right down to the present moment, Mexico has pressed for negotiation and compromise. As recently as July 1985 Secretary Shultz found himself, upon arrival in Mexico City, rejecting further suggestions of U.S.-Nicaraguan talks. Although de la Madrid initially toned down Lopez Portillo's rhetoric, Mexico-U.S. meetings at the presidential level have also underscored strong differences in Central American policy.

#### Threats to Relations with Latin Neighbors

What often appears to the U.S. as misguided Mexican support for leftism is generally seen by Mexico itself as a perfectly realistic posture of coexistence with present and future powerholders. A quarter century of

relations with Cuba provides the key precedent, a partial model. Mexico believes that time has vindicated and even exalted its once maverick approach. Whereas Mexico was initially the only Latin American nation to maintain diplomatic relations with the U.S.'s Communist foe, more and more nations have recently followed Mexico's coexistence policy. Thus, although Nicaragua obviously offers the closest parallel to Cuba in that it represents the only Central American nation where Marxists have gained power, Nicaragua has not been ostracized the way Cuba was.

Importantly, Mexico became very active in Nicaragua only once it became clear that the Sandinistas would win. Then, however, Mexico extended crucial moral and material assistance. Indeed Mexico joined Cuba as the two major Latin American contributors, and only recently gave way to the U.S.S.R. as Nicaragua's number one oil supplier. Although the next closest parallel to Cuba is weaker, Mexico's support for the Salvadorean rebels was based on the view that the government lacks real power; that support grew in 1981 when former allies of Duarte opened offices in Mexico City and proclaimed their government's weakness and the rebels' increasing strength.

Why does Mexico extend such support for leftist advances? A first factor is the realism of coexistence. Second, I believe that the U.S. errs when it ignores Mexico's claims of using coexistence to moderate these very advances. Partly, Mexico itself opposes radical activities, partly it realizes that radical activities invite U.S. intervention. Consequently, Mexico has worked to restrain Cuba's activism in Central America. Moreover, one can see Mexican help to Central America's leftists as a bid to head off their greater dependency on Cuba. Mexico has also pushed the Sandinistas to re-negotiate their debt, maintain a mixed economy, loosen political controls, cut back on the provocative presence of Cubans and Salvadorean leftists, and

limit its arms buildup. Oil, as well as other aid, has come with strings --- which the Sandinistas have sometimes bitterly resented. Mexico has even temporarily suspended oil shipments because of non-payments but possibly also to apply pressure. Overall, although I cannot assess whether Mexico has undercut Cuba's or Nicaragua's appeal beyond their borders, I believe that Mexico's "Constructive Engagement" has brought considerable trust from both Cuba and Nicaragua and surely has modified some of at least the latter's policies.

But it is not just a matter of checking international leftists by maintaining friendly relations with leftist neighbors. Additionally, Mexico insures non-intervention in Mexican domestic politics. This is a point not accorded sufficient weight by U.S. officials exasperated over Mexican naivete regarding its vulnerability as the ultimate domino. The Cuban precedent is most instructive. Since Lopez Mateos set a policy of good relations, Cuba has refrained from supporting leftist activities in Mexico. On the contrary, Castro's repeated praise of Mexico shores up regime legitimacy; together, the Mexican and Cuban regimes have thereby denied the Mexican Left an issue and image valuable to the Left in other nations. Similarly, the Central American Left studiously refrains from criticizing Mexico or stirring up Mexican domestic politics.

Furthermore, although the U.S. tends to focus on Mexico's support for leftists, what really drives Mexican policy is coexistence with a wide plurality of actors. For example, Mexico's oil aid goes to Guatemala and Honduras as well as Cuba and Nicaragua, while Mexican universities have recently educated most of Central America's middle-class professionals. More generally, Mexico has usually been comfortable with the region's rightist dictatorships until they crumble. Mexico's support for Salvador's Left has

been tempered by realization that the Left has much less strength and breadth than the Sandinistas had. Mexico maintains diplomatic relations with El Salvador and it reacted to Duarte's impressive 1984 electoral victory by urging the Left to give his government a chance. Full diplomatic representation was restored and support for the guerrillas was tempered to the point that Guillermo Ungo complained about being officially scolded for making the sort of political statements he had been making in Mexico City for years.

Policy toward Guatemala more surely reveals Mexico's emphasis on coexistence (with viable neighbors) over leftism. The Guatemalan Left lacks the strength of even the Salvadorean Left. Moreover, I believe that Mexico sees more danger of revolutionary spillovers from a nation with which it shares a long border. Mexico wants neither Guatemalan guerrillas nor the Guatemalan army near and even across its borders; privately, some officials acknowledge that, regarding Guatemala, they must fear change more than the status quo. In any case, Mexico is especially wary of the ill effects of bad relations with an immediate neighbor. Thus Mexico has resorted to some traditional rather than newly active postures when dealing with Guatemala: Guatemala's problems are labelled domestic ones, so Mexico should not intervene. Even if de la Madrid has protested repeated military incursions into Mexico more strenuously than Lopez Portillo did, I would emphasize Mexico's cautious tolerance. Crucially, in Spring 1984, Mexico announced that it would relocate the 46,000 Guatemalan refugees in border camps. The Guatemalan government had pressed for this (to cut off a guerrilla base and to discourage further emigration), linking such a move to its support for Contadora. In contrast, the guerrillas bitterly denounced the move, taken despite their appeals directly to the Foreign Relations and Gobernacion

ministries. While Mexican-Guatemalan relations remain cool, tensions have diminished in 1984-85.

Given its own genuine perspectives on Central America, Mexico logically sees U.S. policy as not only wrong but as a threat to Mexican goals regarding stable coexistence. Anticommunism, Mexico believes, can be just as destabilizing as Communism. Opposition to nearly inevitable change leads to uncontrolled change. It converts falsely perceived threats to regional security into real threats. As Bagley points out, Mexico and the U.S. share a concern for regional stability but Mexico believes that stability must rest on change more than hegemonic insistence on conformity. Mexico argues further that U.S. horror of the Left in general tends to radicalize the Left as a whole and to strengthen the hand of extremists within it. Again Mexico sees a Cuban precedent, believing that U.S. opposition forces leftists into the Soviet camp. In my view, Mexico thereby underestimates internal proclivities in that direction but legitimately disassociates itself from the potentially self-fulfilling prophecies of U.S. policy.

Similarly, as de la Madrid has sincerely told Reagan in person, Mexico believes that it is dead wrong to see Central America conflict in basically East-West terms -- but that doing so tends to make it partly so. In other words, whereas the roots of conflict lie in misery and repression, the U.S. wrongly equates with a Communist threat revolutionary struggles to attack those roots. Also in this context, one understands Mexico's intense opposition to U.S. military policies. Conflicts that are not rooted in military matters cannot properly be solved by military means, but can sadly be converted into extended military conflicts. Mexican opposition to massive military aid or maneuvers involving Guatemala, Honduras, Salvador, and the Contras, as well as threats to the Sandinistas, stems from a concern with



national sovereignty (with precedents in opposition to U.S. interventions in Guatemala, 1954, and the Dominican Republic, 1965) but also with a concern that militarization aggravates and prolongs conflicts. By 1984, de la Madrid toughened his language against U.S. military solutions and praised Cuba for its support of Contadoran initiatives to diminish arms flows and foreign military action; indeed, Mexico may well believe that Contadora raises the political costs of potentially greater U.S. military involvement as it pushes negotiation with all parties over simplistic East-West confrontation.

#### Threats to Mexico-U.S. Relations

On the one hand, then, Mexico fears that U.S. policy could worsen the overall Central American environment. On the other hand, Mexico fears that U.S. policy could directly strain the Mexico-U.S. relationship as well. Two basic factors prevent Mexico from accommodating itself to U.S. policy. The more obvious one is that Mexico sees U.S. policy as jeopardizing regional security and therefore Mexican stability. The other factor is that a foreign policy relatively independent of U.S. policy has been a contributing factor to system legitimacy. The Cuban case shows that the independence - legitimacy relationship is a well-established concern, but certain contemporary factors add urgency to it. One factor is that Mexico now gains praise for active independence; for example, it proudly claims credit for the U.N.'s "unprecedented consensus" resolution supporting Contadora. Another factor is that demonstrations of independence are especially significant as economic crises have highlighted Mexican dependence on the U.S.

Mexico is especially worried that the Reagan administration may prove intolerant of Mexican policies. In Spring 1984, some Reagan aides made clear that they saw de la Madrid's Washington visit as supporting congressional

Democratic viewpoints, thereby undermining the administration's. In Spring 1985, Reagan aides were annoyed when they had to admit that the president's new plan for humanitarian aid to the Contras received "less effusive" support from Mexico than from other nations; they were more annoyed when Mexico pointed out that humanitarian aid would be tantamount to military aid and embarrassed the U.S. by disassociating itself from the plan, "saying 'no' without saying 'no.'"

Mexico also fears that the U.S. may increasingly blame Mexico for the influx of Central American refugees into the U.S., a flow probably passing the half million mark by 1983. Mostly Salvadoreans, they go through Mexico and constitute an increasing percentage of the illegal population in the U.S. (See Issue 7). The GAO argues that Mexico has "seriously hindered" international assistance to refugees in Mexico and has a worse record than Honduras for example. The U.S. Right sees the influx to the U.S. as an embarrassment to U.S. claims that living conditions are improving in Salvador and Guatemala and some argue that Mexico's refusal to provide refugee status and better services saddles the U.S. with the flow.

Indeed, Mexico sees the Reagan administration divided on whether such problems suggest the need for a new Mexican political system. And Mexico fears the Reagan administration has already shown that, unlike its predecessor, it does not know enough to separate differences over Central American policy from the health of Mexico-U.S. relations. An extreme case revolved around the February 1984 statements of Gen. Paul F. Gorman, Head of the Southern Command based in Panama. Gorman claimed that Mexico was so leftist in its policies and so internally decrepid that it (already a center of international subversion) would soon constitute the number one threat to U.S. security. Although the State Department characterized his views as

"personal," Mexicans found the amends very weak and noted that some U.S. officials privately agreed that Mexico constitutes a big threat and is even near Communist.

In terms of tangible policy, Reagan's national security directive 124 (April 1984) called for pressure on Mexico's Central American policy, including support for trustworthy Central Americans to go to Mexico and lobby. Mexico also bristled at reports in late 1984 that the CIA's chief analyst of Latin American affairs was dumped for not dramatizing Mexico's problems. Further concern focused on perceptions that Ambassador Gavin demonstrated a U.S. readiness for a rightist alternative in the 1985 elections. In fact, as early as 1982, columnist Manuel Buendia claimed that the CIA, heeding scare talk from the U.S. embassy, increased its activities in Mexico, helping the "ultraright." How far would the Reagan administration go, between 1985 and both nations' 1988 elections, in undermining the Mexican regime?

My own disposition is to take Mexico's fears and consequent resentments seriously. Although the Reagan administration will probably refrain from rash tampering with Mexican politics, even the threat of U.S. retaliation for Mexico's independent Central American policy may be destabilizing; for example, some believe that the threat aggravated capital flight in 1981-82. At the same time, I see a possible if paradoxical benefit to Mexican legitimacy in the Reagan administration's move beyond more moderate and tolerant policies: Mexico can show independence in its foreign policy even by pursuing moderate policies and doing so with a prudent tone often not characteristic of the Echeverria and Lopez Portillo years.

#### Threats to Mexico's Development

Turning to threats more directly affecting domestic affairs, I first highlight Mario Ojeda's observation that a prime goal of Mexican foreign policy is to prevent international events from adversely affecting domestic development. In the past, this preoccupation helped sustain a relatively inactive foreign policy; recently, the same preoccupation has argued for a more active one. However, Mexico does not see even its reoriented foreign policy freeing the nation from domestic dangers triggered by nearby conflicts.

One danger concerns the role of Mexico's military. As is well-known, the subordination of military to civilian control has long been a key factor in Mexico's political legitimacy and stability. In keeping with Williams' analysis (Issue 11), I would argue that Central American crises (a) will not produce a fundamental change in civil-military relations but (b) have already (along with other factors) increased the military's visibility, role, prestige, and political influence, and will probably continue to do so. Despite contradictory official statements, there is concern to protect vital natural resources (especially oil) in the state of Chiapas; the border zone is viewed by some as a threat and even a war zone. Whether or not Mexico sees a direct foreign military danger, it certainly sees dangers of disorders produced by military actions in the region--dangers that call for increased military preparedness. At any rate, as Williams points out, the military has used the Central American turmoil to justify its expansion and modernization. Among the manifestations are: naval and airforce as well as army buildups, bolstered national security content in professional military education, an increased military role in border regions, and an advisory role on Central American policy as well as participation in information-gathering activities (previously left to the Foreign Ministry and PRI) within Central America.

Some Mexican officials have acknowledged that Central America's impact on the military can shift budgetary priorities and hurt economic development.

Independent Mexican observers fear that another impact could be abuse of the national security concept, as has occurred in Guatemala for example, to justify repression and to stabilize a supposedly unstable situation.

But the budgetary and other effects of military upgrading notwithstanding, the most immediate socio-economic effects stemming from Central American warfare involve the flow of refugees. According to the Americas Watch Committee, perhaps 400,000 Central Americans have poured into Mexico in recent years; perhaps 150,000 are Guatemalans, roughly one-third in refugee camps, another third outside camps in the Southwest, and the others scattered. Most of the rest are Salvadoreans, many bound for the U.S., others for Mexico's cities. Although Guatemalan migration has historical precedent and increased in the late 1970s, the massive refugee crunch and consequent Mexican fears are very recent. These fears are reinforced by prospects that the problem could suddenly get much worse. Most Central American refugees are still refugees within their own nation; some observers warn that Mexico could conceivably be faced by the decade's end with eight million refugees, a figure that I would not take seriously except in the sense in which well-founded fears can prompt exaggerated fears that can conceivably influence action.

To emphasize even the present shock to Mexico, Aguayo highlights four crucial differences between this new immigration and the previous ones that Mexico so proudly encouraged (e.g., from the Spanish Civil War and the 1973 Chilean coup): (1) The massive numbers today contrast to previously more elite migrations; (2) Mexico could regulate the earlier flows; (3) international agencies meddle in the contemporary situation (see below) (4)

Mexico is now besieged by a dire economic crisis. Connected with the first point is the fact that so many of the recent refugees are poor (even though Mexico is also absorbing a good deal of educated Salvadorean and Guatemalan talent). Most of the Guatemalans are Indians and many do not speak Spanish. Not only poverty and malnutrition but also diseases are common.

Predictably Mexico fears that all these ills, not just malaria and measles, can be transmitted. Aguayo points out that despite their great compassion, Chiapas natives have come to resent competition for scarce water, food, and jobs. Resentment is particularly intense when refugees receive special help while natives are neglected. Factors such as these, along with the heavy dependence of refugees in camps on the Mexican government for vital resources (and the Guatemalan government's opposition to Mexican policies that sustain migration), help explain Mexico's strong disinclination to maintain permanent camps. Refugees headed for Mexican cities are more self-sufficient but contribute to precisely the domestic hyperurbanization that the Mexican government has been trying to curb. Finally, if Mexico-U.S. migration has been a vital safety valve for Mexico, then the influx of Central Americans endangers it by intensifying job competition within Mexico and perhaps in some U.S. locales where Mexico's migrants have concentrated.

#### Threats to Progressive Legitimacy

The refugee problem affects not just material aspects of development but also images crucial to legitimacy and to support from Mexico's Left. On the international side, we have already discussed the importance of an independent foreign policy in legitimacy and in blocking foreign leftists from supporting leftist alternatives in Mexico. Additionally, Mexico has adeptly used a progressive foreign policy to garner the active support of its

domestic Left, thereby also strengthening the institutionalized or coopted Left while marginalizing the alternative Left. I personally find some mutual duplicity in all this: the regime gains points to help cover its basically conservative domestic development model whereas the institutionalized Left, including its base of intellectuals (Issue 4), finds it legitimate to support the regime and gain many of the benefits of being both middle class and on the inside.

Nonetheless, U.S. officials who cynically conclude that the relevant actors are basically motivated by such self-interest overlook the large measure of conviction behind a different view of international development and strife. But even short of that appreciation, I would endorse Bagley's observation that the Reagan administration has not been sufficiently aware of the dangers the Mexican government would court with the institutionalized Left were it to let its progressive image erode. Thus, Lopez Portillo's support for Cuba, the Sandinistas, and the Salvadorean Left earned him significant support from intellectuals and de la Madrid has found Central American policy useful in sustaining leftist support during a domestic recovery period exacting harsh sacrifices.

One politically dangerous aspect of the refugee problem is the attention it focuses on the suffering of Mexico's own citizens. This is particularly true in Chiapas, the impoverished border state where the Guatemalan camps concentrated; with the nation's highest illiteracy and death/birth ratios, Chiapas' socio-economic profile parallels Guatemala's in many respects and epitomizes Mexico's neglect of development in its southern and poorer regions. Granted, Aguayo makes two good points against exaggerating dangers to stability. One is that the refugee problem has brought international aid to the state. The other is that few of the refugees

would care to be activists and those who would care would not dare, given their vulnerable status and given the support that Mexico's good relations with international leftists has earned. Nonetheless, the situation has intensified opposition from Mexico's independent Left. Consequently, federal development projects have been launched in Chiapas..

A second politically dangerous aspect of the refugee problem is the loss of progressive legitimacy because of the terrible plight of the refugees themselves. This contrasts to a much-lauded tradition of granting asylum, as in the Spanish and Chilean cases cited above. Of course, the government has taken some positive steps, such as creation of an intersecretariat to oversee problems. But several factors block a greater role. Among them is fear of exacerbating the government's own dire economic situation, thereby increasing resentment by Mexico's poor, antagonizing the Right, and making immigration to Mexico more attractive. Thus the government has sometimes acted directly against immigration, as probably demonstrated by the camp transfers (although that action is defended as promoting better security and services for the refugees) and certainly by repeated deportations, including some large-scale ones. Additionally, government prohibitions on paid employment contribute to the unemployment rate, perhaps 75% among refugees in Mexico City.

Mostly, however, the government has been criticized for inaction. The crucial issue is Mexico's refusal to grant legal status to the refugees. Enthusiast of most U.N. efforts to protect the downtrodden, Mexico has not signed its conventions on refugees. Instead, Mexico claims that its own asylum laws are adequate and that its Constitution protects the rights of all individuals (not just citizens), but in reality Mexico fears encouraging more immigration. Mexico has granted asylum in only a tiny minority of instances, on a difficult case-by-case basis. As a result, most refugees lack legal



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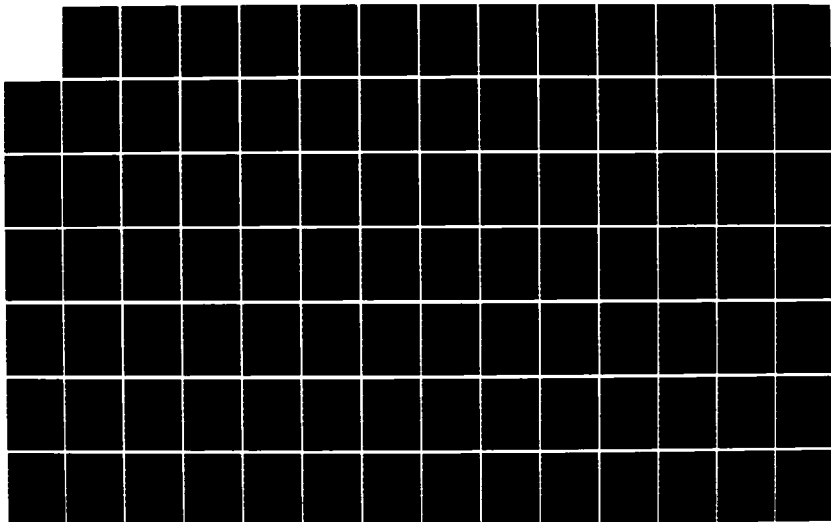
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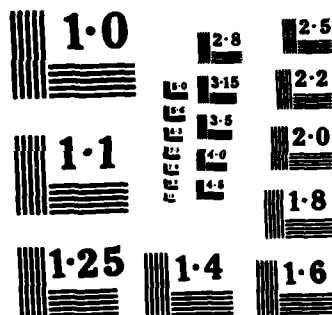
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status and are vulnerable to mistreatment. Even the refugees' children born in Mexico do not get legal status.

Furthermore, Mexico has good reason to worry about the obvious parallels to the plight of its citizens in the U.S. Mexico has repeatedly denounced U.S. mistreatment of its citizens and the parallels could tarnish Mexico's image and weaken its stance on that important Mexico-U.S. issue. My hunch is that while such weakening has not yet been pronounced it might well become so.

Especially sensitive for Mexico's image is its cooperation with U.S. authorities in catching migrants. Yet Mexico has little choice given that the flow of Central American refugees through Mexico to the U.S. may harden U.S. attitudes toward Mexico and given that Mexican cooperation is crucial to U.S. efforts. Mexico understandably wants to maintain a low profile.

A third dangerous aspect related to refugees and political legitimacy concerns the role of international agencies involved with the refugees inside Mexico. They have repeatedly criticized Mexican policy. Most important has been the U.N. High Commissioner for Refugees (UNHCR). For example, UNHCR would have Mexico treat its Salvadorean migrants as political refugees. Tensions with UNHCR intensified in 1983 and in 1984 Mexico replaced its head of CMAR (Mexican Commission for Aid to Refugees), who had been hostile to international relief efforts. Furthermore, while UNCHR was pleased that the camp transfer would make refugees safer from warfare, the Americas Watch Committee denounced the move as a further step away from Mexico's progressive asylum tradition, citing resistance by the refugees and governmental human rights violations including arrests, food cutoffs, and campsite burnings. The Committee has also continually denounced deportations and obstacles to greater international monitoring within Mexico.

Mexico feels challenged not only by the criticism but by the international intervention in matters within its own borders. Clearly, the traditional preoccupation to prevent international affairs from penetrating domestic affairs in unfavorable ways is being violated. Mexico resents the role of intergovernmental agencies and also nonprofit private organizations and some fear that foreign priests may arouse segments of the peasantry.

#### Threats to National Unity

As all the threats discussed so far add up to serious and complex challenges for Mexico, they pose yet another threat--that intensified or prolonged Central American strife could stimulate national divisiveness. A key to Mexican political stability has been the use of foreign policy for domestic purposes without, however, allowing foreign policy to become an arena of truly bitter controversy with too much at stake. Although the de la Madrid administration has taken credit for encouraging "democratic planning" in foreign policy, it has mostly insisted that a basic foreign policy consensus continues to hold, and has (like its predecessor) generally tried to downplay divisiveness.

In reality, however, the divisions are already serious enough to warrant careful monitoring. They are polarizing society and even splitting the government itself -- all this while the political system is being sorely tested by economic crises.

Intragovernmental debate reached new heights with uncertainty over how to handle the sudden mass immigration of refugees and with power struggles focusing on de la Madrid's ascension. And splits within the government have produced ambiguous (even contradictory) policies, confused public opinion, and thereby given unusual latitude for the Left and especially the Right to

express their views and potentially to gain influence (Issues 5 and 10). In other words, the government has lost some of the sense of control over foreign affairs that has usually enabled it to mold foreign policy and the domestic consequences of it.

One aspect of the overall societal debate is the raised voice of the Right. Traditionally, the Right has usually refrained from taking an active role in foreign policy, but the new activism of Mexico's foreign policy itself has changed that; Mexican foreign policy has greater importance than it did heretofore and the cost of inaction is thereby raised. Lopez Portillo's policies and particularly the French-Mexican initiative alienated the Right. The Right's declarations that foreign policy should no longer be controlled by a small diplomatic group may suggest a structural challenge to the foreign policy process rather than simply a one-stroke disagreement over the substance of a particular policy. Pressure from the Right could make it more difficult for the regime to shape and manipulate foreign policy. Additionally, however, one sees some rising criticism and pressure from the Left, no longer as aligned with official foreign policy as it often has been. Major shifts are not likely but neither are they impossible.

With the dangers of polarization in mind, let us sketch, in admittedly simplified form, both the "softer" or more "leftist" and the "harder" or more "rightist" positions and identify their major proponents both within and outside government.

The softer position identifies itself with the progressive and humanitarian claims of Mexican foreign policy and with its new activism. Specifically, it sees refugees as natural products of strife, just as Mexican migration to the U.S. is the natural result of marketplace supply and demand. Mexico should uphold its glorious tradition regarding exiles while

recognizing that it now must accommodate a mass influx. Above considerations of Mexico's economic crises come consideration of decency and of Mexico's internal and international legitimacy. Softliners have even minimized Guatemalan army incursions lest these become hardline pretexts to crackdown on refugees and increase the military role. The softliners are staunchly pro-Contadora and negotiations, while basically supporting Sandinista sovereignty and maintaining sympathy for the Salvadoran Left (though not endorsing all of either group's actions).

Foreign Relations champions these positions within the Mexican government. Regarding the refugee issues, CMAR also deserves mention. This is not surprising given that Commission's charge to administer the refugee camps and represent refugee interests within the government. Yet CMAR was created dependent on not only Foreign Relations (and also Labor) but also, and especially, Gobernacion. Regarding the PRI, Pellicer reports that the French-American initiative, for example, was supported by part of the party, as well as by the Foreign Ministry. More generally, and consistent with Bailey's analysis of the PRI (Issue 8), I might speculate that rising technocratic influence may block a clearer PRI alignment with progressive positions, but mostly I would emphasize that PRI is usually excluded from making Central American (and other foreign) policy and restricted to supporting it.

Outside of government and closely aligned actors, it is important to watch where a more leftist position is arising in opposition to the government. Skipping over the criticism that is historically notable but still not politically potent from unions and political parties, I would emphasize two groups. I would not emphasize the media. Generally, several obstacles exist to leftism in the mass media (Issue 3); specifically, the

government has exerted pressure to prevent critical coverage of the refugees' plight.

One group includes intellectuals and students. Granted, many intellectuals have basically supported the government softliners. Granted also, protests at institutions like the autonomous universities of Guerrero and Puebla and the formation of national solidarity groups are nothing new. But, according to Jorge Casteneda, son of Lopez Portillo's foreign minister and himself connected with that administration, criticism (including his own) of the camp transfer represents the first time that the nonradical Left has charged the Mexican government with supporting Central American dictatorship and striking a blow against the dictatorship's opponents.

The second group is the clergy, which has become perhaps the major independent critic on the Left of government policy. Its work among the poor, combined with its statements on refugee rights and camps, has earned it not only blasts from the Right but restrictions on access to the camps, increased church-state tension, and even governmental denunciation of "pseudo-religious groups." The clergy role is particularly significant in that (a) a pillar of regime stability has been a church-state *modus vivendi* based largely on church non-opposition to government policies and (b) the church has proven to be an increasingly influential critic on the Left in several Latin American nations. A reasonable guess is that while stark confrontations between the state and the church institution itself remain unlikely at least in the near future, criticism from individual clergy could well continue and intensify; crackdowns would then be possible but also awkward for a regime that historically built progressive legitimacy by confronting a church on its right.

In contrast to the softline position, the hardline position emphasizes the socioeconomic burdens that refugees bring to a developing nation struggling with its own difficulties. It stresses negative impacts on jobs, wages, services, and health, and tends also to stress the refugees' economic motivations. Moreover, it often associates the refugees with the Central American Left -- which it more readily than softliners associates with Cuba and the U.S.S.R.. Not surprisingly then, the hardliners are deeply concerned about Mexico getting too cozy with Cuba and have serious differences with the Sandinistas and the Salvadorean Left. Some on the Right also fear that leftist policy will discourage U.S. assistance in Mexico's economic recovery. However, as with the softline approach, many differences appear within the hardline category and, at least within the government, even most hardliners support negotiation, fear Reagan's inclinations to military approaches, and want no part of ties to ex-somocistas.

Regarding hardline strongholds within the government, probably most speculation has focused on Gobernacion. Along with Defense, it headed the negative governmental reaction to the French-Mexican initiative. Gobernacion has even taken refugee matters into its own hands at times. Its Direccion General de Servicios Migratorios has been a counterforce to CMAR's softer positions. Furthermore, one extremist group within Gobernacion has fundamentally opposed key tenets of Mexican foreign policy. Virulently anti-Foreign Relations and Contadora, it has supported rightists within the Reagan administration and may have ties with the U.S. Embassy, the CIA, and evangelical Protestantism.

But images of a fundamental government split (present or incipient) would be exaggerated for several reasons: (a) Despite some loss of influence to hardline strongholds, Foreign Relations remains basically in control; (b)



Foreign Relations still appears fundamentally united on its softline; (c) the extremist group in Gobernacion is exceptional and has largely been moved out, partly over the Camarena issue but possibly also over Central American policy; (d) concerned mostly with the domestic impacts of foreign policy, Gobernacion's activities usually relate more to handling the refugees and fighting Foreign Relations over the security threat posed by the presence of Cubans, Nicaraguans, and Salvadoran leftists in Mexico than to the formulation of basic foreign policy; (e) Defense is mostly restricted to influence over military and border issues; (f) Finance, along with other technocratic strongholds such as the Bank of Mexico and PEMEX, does not challenge the fundamental orientations of Foreign Relations as much as it balks at the economic burden of supporting Nicaragua and refugees while endangering needed U.S. aid. In short, government opposition to Foreign Relations is fragmented (for example, between politicians at Gobernacion and technicians at Finance) and rarely opposes the basic tenets of Mexican foreign policy. Nevertheless, softline-hardline differences are real and the domestic impacts of foreign policy could lead to more serious divisiveness in the future.

Outside government, and leaving aside an ultra-right, which basically supports the position of the right wing within the Reagan administration, I consider here rightist opposition to government policy from three actors. One is PAN. Although it criticized deportations in 1981, it has since urged Mexico to control its borders and to refrain from leftist foreign policies. In the 1982 elections, it was vocal against Lopez Portillo's policies. In the 1985 elections, however, PAN did startling little with the Central American issue. Thus, unless PAN reassesses its electoral strategies, it might likewise do little in elections through 1988. One basis for reassessment

could depend on the middle class; there is evidence that its generally rising dissatisfaction partly manifests itself in views of Central American policy.

So far, however, the major opposition actor has been business. Some business groups have used the Central American crisis as a pretext to attack the Left broadly but some believe sincerely in particulars of the hardline position above (although other business are basically grateful for cheap refugee labor). Predictably, COPARMEX (Mexican Employers Association) has been most vocal.

The third rightist actor I cite is the media, obviously intertwined with business concerns. Rightist dissent in the mass media has enjoyed more latitude and clout than leftist dissent. Printed dissent on Central America has appeared in newspapers like El Heraldo and magazines like Impacto. However, the main danger would come from private television, which has been to the Right of the government on Central American policy. In general, for most of the societal challenges discussed here, I would not rule out intensified dangers but would predict a continuation of impacts that evoke serious but manageable concern.

#### Mexican Policy in the Next Five Years

In at least some ways, predictions related to Mexican foreign policy seem (even) riskier than predictions related to Mexican domestic policy. Part of the unpredictability stems from Mexico's new activism; Mexican policy now depends much more than before on the actions of others and on events beyond its control. In some ironic sense, therefore, Mexico's increased independence through activism has made it more dependent on factors beyond its control.

Accordingly, our inability to predict future events in Central America hampers our ability to predict relevant Mexican policy. We can, nevertheless,

reasonably speculate on Mexican policy given probably the single most likely scenario for Central America's next five years --persistence of the sort of violence and threats that have in the last five years fallen short of insurgent takeovers or full-scale military combat among nations. Before explaining my consequent prediction of continuity in Mexican policy, however, I will identify certain alternative scenarios that could upset those predictions.

The most potent change could involve a major policy shift by an important non-Mexican power contender or a major change in the balance of power among the contenders. Examples could include either the Sandinistas or the Reagan administration really acting as the other party says it does (as revolution-exporting totalitarians or militaristic imperialists, respectively), more active Cuban intervention, a strong guerrilla threat to seize power in Guatemala, meddling in Mexican politics by non-Mexican leftists, or a marked increase of refugee flows into Mexico. In the long run, prolongation of the Central American conflicts could aggravate negative impacts on Mexico, including refugee burdens and polarization of Left-Right debates, but in the short run it would probably take major changes, such as those just cited, to bring about fundamental changes in Mexican policy. For what it is worth, probably most experts on the Central American conflicts neither expect nor rule out the cited changes.

More likely to affect Mexican policy for the near future is Mexico's own economic crisis. Here the recent past is instructive. Just as soaring oil revenues provided Lopez Portillo the clout to back activated rhetoric with resources, economic crisis weakened his hand toward the end of his term. Then, de la Madrid was similarly weakened by economic and oil crises and the resultant need for U.S. help and emphasis on Mexico's own desperate domestic

priorities. Some observers interpret in this light developments such as Mexico's refusal to back French diplomatic initiatives to send minesweepers to Nicaraguan ports. However, the crises have modified Mexican policy without undoing its basic orientations. Therefore, my expectation is that, barring marked aggravation, the economic crisis may limit the vigor with which Mexico pursues its positions and challenges the U.S. but will not come close to reversing Mexico's basic positions; and these positions will be pursued with a vigor exceeding that traditionally found in Mexican foreign policy.

Similarly, recent precedent suggests that circumstances surrounding a change of administration may modify policy but not fundamentally. The modifications concerning Lopez Portillo and de la Madrid probably had much less to do with lame duck status or "pendulum" swings across administrations than with the economic problems surfacing in 1981-82. I am also skeptical of interpretations, including many in the U.S. press in 1984, concerning major retreats in Mexican policy. For example, I would tend to see Foreign Minister Sepulveda's presence at Duarte's inauguration less as a major change in Mexican orientations than as a Mexican reaction to a notable change in El Salvador's power balance, a reaction consistent with Mexican tendencies to base its support and suggestions for negotiations on factors related to prospects for stability and good relations with neighbors. Similarly while de la Madrid has been tougher than Lopez Portillo on the Sandinistas, Mexico remains Nicaragua's friendliest voice at Contadora.

This is not to rule out the possibility of (a) modifications by a lame duck de la Madrid, though lame-duck status could just as easily contribute to bold action, nor (b) pressures to select a 1988 president committed to a more conservative Central American line, though (unlike Alan Riding) I presently see little evidence on which to hazard a good guess on how Central American

conflict might affect that selection. What does seem likely to me is that domestic factors such as the 1988 elections and the economy will interact with ongoing Central American conflict, and its ongoing variations (short of the dramatic ones), to continue producing tactical shifts rather than basic reorientations in Mexican policy. To support that modest prediction I would emphasize that de la Madrid's shifts have not amounted to changes in most basic positions set pre-de la Madrid, despite some fundamental differences in general Lopez Portillo-de la Madrid approaches to the presidency, Sandinista radicalization, increased U.S. pressure on Mexico, increased business pressure from within Mexico, and even a severely deteriorating economy.

At least for the near future, I expect Mexico to stick by such basic orientations as conflict reduction through negotiation, stability through change, good relations with all likely powerholders, pressure against leftist radicalization, independence of U.S. policy, and assertion of Mexico's status as a regional power. I expect all this because such policies are based not on any single leader's or group's idiosyncratic interpretation, but on some widely and deeply held convictions about the consequences for both regional and Mexican progress, peace, and stability.

#### Implications for U.S. Policy

Based on the foregoing analysis, the U.S. should not expect a fundamental change in Mexican foreign policy unless there are major changes in factors emanating from outside Mexico itself. Relatedly, I would draw two additional implications for U.S. policy: (a) it should accept the legitimacy of Mexico's policy; (b) it could lose far more by attempting to change Mexico's policy than by absorbing the bumps in Mexico-U.S. relations that

will probably continue to emerge from basic differences over Central American policies.

Insight into the duplicity in Mexican foreign policy should not lead to exaggeration of it. To be sure, a gap exists between Mexican public rhetoric and private statements, just as leftist stances in foreign policy are highlighted to cover domestic conservatism. For one thing, however, some private-public gap and duplicity probably characterizes the positions of all major actors in the Central American conflict. Second, as we could observe of U.S. policy as well, much of what appears in a cynical, unfriendly, or uninformed interpretation as simply duplicity can in fact reflect the complexity of relevant issues and fears--and divisions within a given government itself. In reality, much of Mexico's foreign policy establishment believes deeply in the progressive guidelines that some U.S. observers would dismiss as phony leftism. At the same time, that establishment has often seen such progressivism as consistent with Mexico's principal goal, a regional stability that does not threaten Mexican stability.

Beyond its sincerity, a further reason to accept the legitimacy of Mexico's policy is that the policy has international legitimacy. Just as it is based on widespread Mexican concerns, it finds widespread endorsement beyond Mexico. Western nations with responsible foreign policies have more often doubted the legitimacy of U.S. than Mexican Central American policy. For example, Spain's Felipe Gonzalez met with de la Madrid this year, denounced the U.S. for breaking off negotiations with Nicaragua, and praised Nicaragua for its flexibility. This from a leader who has denounced Nicaragua's rights abuses, sent a low-level delegation to Ortega's inaugural, and met with Nicaragua's opposition. Within Latin America, Brazil and other nations have recently sustained the legitimacy of Mexican more than U.S.

positions. To reject the legitimacy of Mexican policy is to be at serious odds with the policy of much of Latin America.

But even a fully legitimate and popular policy could be wrong; should the U.S. try to change Mexico's Central American policy? Obviously, those who believe that U.S. Central American policy is generally flawed would oppose U.S. efforts to push Mexico to support U.S. policies. The more pertinent question here is whether the U.S. government, given its own views of the Central American conflict, should pressure Mexico to conform. The temptation could be especially strong if one accepts the prognosis that, barring a major shock, Mexico will continue pursuing policies at odds with U.S. policy. However, an important component of that very prognosis argues against pressure: there is no basic and viable alternative to back from either outside or within the regime.

Another reason to avoid pressuring Mexico is that Mexico must be credited with extraordinary expertise in preserving its own stability. And, its progressive motivations notwithstanding, Mexico's Central American policy is fundamentally based on carefully considered implications for that stability. There is no reason to doubt Sepulveda's declarations that the regime is aware that the Central America conflict presents "serious risks that Mexico should not underestimate" and that it should be "fully clear that the essential purpose of Mexico's Central American policy is the defense of its national interests...That is the absolute priority."

To say that Mexico is preoccupied with its stability and has extraordinary expertise in preserving it is not necessarily to conclude that the U.S. must endorse basic Mexican positions, much less the perceived extremes of some leaders' demagogery or efforts such as the French-American initiative. It does mean that those who contemplate pressuring Mexico should

contemplate the effect such pressure could have on Mexican stability (especially in the unlikely event that pressure were "successful"). It could present Mexico's Left with a major issue, one that would undermine its institutionalized component and promote its independent component. It could also radicalize the international Left into actions directed against Mexico. In general, it could delegitimize the regime and its claims to independence.

If the analysis in this paper is correct, then U.S. policymakers should appreciate that (a) Mexico's success in managing its stability has allowed flexibility for tactical shifts; (b) there is variation within Mexico's basic guidelines; (c) but a triumph of hardline positions within the regime could pose new risks, and (d) U.S. backing of an independent rightist alternative would pose still much greater risks -- and would fail. Basically, supporting Smith's conclusions (Issue 4), even U.S. conservatives should recognize how relatively fortunate they are to have a stable Mexico on the border, and they should remember--no matter what they take to be Mexico's influence on events in other countries --that Mexico itself is much more significant for U.S. interests. It is crucial to avoid fulfilling the worst scenario envisioned by those keen Mexican observers who fear that protracted Central American conflict could undermine U.S. appreciation of the necessity of separating the well-being of Mexico-U.S. relations from differences over hemispheric issues.

#### Executive Summary

Since the late 1970s, Mexico's active role in Central American affairs has been the most important manifestation of a generalized move to a more assertive foreign policy. However, this active role can be viewed largely as a new means to cope with radically changed regional circumstances and still



safeguard an enduring goal--preventing events beyond Mexico's border from adversely affecting Mexico's own development and stability.

In nearly all circumstances, Mexico is driven by a desire for non-threatening relations with governments or movements that hold or may come to hold power. It usually stresses national sovereignty and the indigenous rather than the East-West roots and solutions to conflicts. It believes that only change, not preservation of a delapidated status quo, can insure long-term stability in Central America. Thus, Mexico coexists with leftists in other nations but often works to moderate their policies and always insists that they not intervene mischievously in Mexican domestic politics. To pursue its basic goals in a complex world, however, Mexico has shown considerable flexibility in tactically varying its policies by nation and in different time periods.

Given such perceptions and policies, it comes as no surprise that Mexico believes that U.S. policy often produces negative results and that further ascendancy of the rightist tendencies within that policy would produce disastrous consequences. Confrontation and militarization rather than compromise and negotiation, prolong, intensify, and radicalize regional conflicts. By so doing, they increase the risks that these conflicts hold for Mexico. More directly, Mexico fears that the Reagan administration may prove increasingly intolerant of Mexico's independence, instead holding it responsible for strengthening regional leftism, naively furthering threats to Mexico's own security, and contributing to a massive refugee flow into the U.S.

If Mexico is concerned over the impact of Central American conflicts on its relations with neighbors, it is also concerned about more direct impacts on Mexican development. These include the growing role and cost of the

military and the social, economic, and political costs of massive immigration. Additionally, legitimacy could be undermined through the seeming inconsistencies in Mexican policy, the plight of refugees and of the Mexican poor they find themselves among, government actions to curb the dangers of immigration, government actions to protect the immigrants, parallels to the fate of Mexican immigrants in the U.S., and both criticism and interference from international agencies.

Another threat to stability turns on the increased polarization of Mexican debate over Central American policy. The regime may find itself decreasingly capable of shaping foreign policy to meet its domestic needs. There is a somewhat emboldened Left, including intellectuals and clergy, and a somewhat emboldened Right, comprising elements of the middle-class, business, and the media. Furthermore, divisions threaten a traditional foreign policy consensus even within the regime itself.

Barring unlikely but by no means impossible changes in factors largely beyond the regime's own control, there is good reason to expect basic continuity, with tactical accommodations, in Mexico's Central American policy. A strong U.S. attempt to compel a fundamental re-direction would run counter to the bases of Mexican stability elaborated in this paper and therefore to the U.S.'s own national interests.

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ISSUE #7

"WHAT IMPLICATIONS DO BORDER PROBLEMS HAVE  
FOR  
US-MEXICAN RELATIONS?"

BY

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**Implications of the Border for Mexican Policy  
and Mexican-United States Relations**

**CONTENTS**

Introduction.....	1
The Border Context.....	2
The Border Ecology.....	4
The Border Economy.....	7
The Border Polity.....	14
Conclusion.....	22
Executive Summary.....	25

## INTRODUCTION

The Mexican-United States border is a many splendored thing. It brims with an intriguing potpourri of activities blending the legal and the proscribed, the significant and the trivial, the conventional and the bizarre. In one incarnation, the border delights hundreds from about the country by facilitating the sight of a Flame-Colored Tanager, fairly common in Mexico but demanding a "North American Rare Bird Alert" as it crosses the line. At the other end of the spectrum, the border context conjures horror, compassion, and outrage at instances of unscrupulous coyotes and vicious gangs robbing and raping the innocent poor as they cross the border in search of economic sustenance or political refuge. In hundreds of other cases, the border locus defines a series of events, issues, and controversies significant for Mexico and for Mexican-United States relations. From a sociocultural perspective, for example, the border melting pot produces a special breed of Mexican and a rare species of American, enriching their respective countries but also connoting problems in the eyes of some of their compatriots. From the less exotic perspective of the dismal science, the border encourages the economic advantages of the maquiladora program, implying employment for Mexicans, scarce foreign exchange for Mexico, and a competitive edge for American-owned business. From the viewpoint of politics, the border locus influences a continuum of activity ranging from a tradition of anti-Washington sentiments north of the line to increasingly militant opposition in Mexico.

In addition to being the physical locus of significant socio-cultural, economic, and political phenomena, the border acts as a focus for bilateral interaction, frequently connoting serious irritants as well as reciprocal advantages. Drugs and undocumented workers are cases in point. Neither are

intrinsically border problems, but both often crystallize at the international line. Narcotic smugglers face off with agents of the United States' Drug Enforcement Administration (DEA), or undocumented border crossers clash with the Border Patrol. In every instance, the border connotes a special quality for Mexican policy and for the bilateral question.

This paper describes and analyzes the implications of the border for Mexican public policy and Mexican-United States relations. The analysis centers on the medium term--the next five years or so. The substance of the paper counts four parts. A short discussion sets out the context of the border region. The effort then describes and analyzes a series of policy developments and conundrums; looking first to their import for Mexico, and then to their consequences for the bilateral relationship. Sequentially, the discussion develops three foci--ecological, economic, and political issues. Given the multiplicity of border issues, not all can be discussed; given their complexity, not all receive their analytical due. Nonetheless, the paper treats all of the salient issues, and, most importantly, it explicates the sense of the border region for Mexican public policy and bilateral relations.

#### **THE BORDER CONTEXT**

The border region's growing importance reflects exogenous and endogenous influences. In the first place, the area's evolving significance grows from the larger binational context. The United States has always ranked at the very pinnacle of Mexico's exterior concerns; since the mid-1970s, Mexico has assumed increasing import for Washington's policymakers. But that is only half the tale. On both sides of the line, populations grow rapidly, implying more

political punch within the respective nations; expanded economic activity and growing wealth; and proliferating sociocultural intercourse.

Population data offer some sense of the booming border region. From 1950 through 1980, the border states on the U.S. side (California, Arizona, New Mexico, and Texas) more than doubled their collective population to 42 million. For the same 30-year stretch, the six Mexican border states (Baja California Norte, Sonora, Chihuahua, Coahuila, Nuevo Leon, Tamaulipas) burgeoned more than 2 1/2 times, to 10.7 million. Even more pertinent to the border's growth, the population of Mexico's ten major border cities increased more than fourfold during the same period, to a total population of about 5 million. Fully one-third of the 1980 population of Mexico's 36 border communities counted themselves as migrants. Crossings also illustrate the traffic and bustle of the border region. In recent years, two-way traffic along the border totaled nigh on to 300 million crossings a year--about two-thirds of those from the north and one-third from Mexico into U.S. border towns.

Those numerous border crossings also crystallize expanding participation in a peculiar border culture, with implications for both good and evil, depending to some degree on individual perspective. On the positive side, the miniature melting pot molds different Mexicans and Americans (and Mexican-Americans). In turn, those local populations exercise more voice in national policymaking arenas, improving both the style and substance of public policy. On the other hand, the burgeoning border region magnifies the underlying current of fragility in bilateral relations, as it elicits more interest from policymaking elites. A Roman Catholic bishop in Mexico captures one nuance of that fragility in damning U.S. border visitors for "infesting" the Mexican border cities with their



illicit sex and drug habits. From the northern side of the line, the crazies from the Ku Klux Klan parade about in defense of the race.

Public policy and politics on the border carries a special quality because it combines both domestic and foreign policy implications. The problem of waste disposal in Tijuana is bad enough in its own right, but it grows immeasurably worse as it gets entangled in bilateral relations and becomes a cause for national humiliation. Significant foreign exchange earnings from the maquiladora program appear a pristine good at first blush, but they become a mixed blessing when it is recognized that they derive from an economic enclave of the United States. Many of those sensitive problems, in turn, derive from the border's dividing the rich United States from relatively poor Mexico. The border separates the largest per capita income disparity of any two neighboring countries in the world.

The border context, in sum, influences the way that both Mexico City and Washington perceive problems and formulate policies. The border is more important and wants more attention, but its very significance implies evolving sensitivity destined to complicate the framing of public policy from Mexico City and relations between the two nations. An analysis of some of the more salient ecological, economic, and political issues in the border region illustrates the point.

#### THE BORDER ECOLOGY

Ecological problems along the Mexican-United States border center on air, water, and hazardous waste. Mexico has laws on the books and governmental institutions charged with safeguarding the nation's ecology, but economic and political realities constrain vigorous official activity. In the same vein, Mexico's relative underdevelopment works to weaken its will and ability in

pursuing the implementation of bilateral ecological accords negotiated with the United States.

Amongst the many ecological issues along the border, the problem of Tijuana sewage may be the foulest of all. Since the mid-1930s, Tijuana's effluent has been intermittently discharged into the Tia Juana River, crossing the international boundary into San Diego. In 1965, an emergency bypass began to carry the city's sewage to San Diego. Intended to be used only on an emergency basis, the arrangement soon became permanent. By 1980, the San Diego Metropolitan Sewer System accepted 13 million gallons of Tijuana effluent each day. Another 4.5 million gallons daily (mgd) gets dumped into the river to flow into San Diego. Still another 4.5 mgd is discharged into the ocean, frequently flowing northward to befoul Southern California's beaches, implying serious health hazards. Recent developments spell some progress in resolving the problem, but the final solution is still a long way from reality.

While that problem evolves to a sluggish solution, the "gray triangle" of copper smelters in Sonora and Arizona continue to pollute the air. Located roughly within 50 miles of one another, smelters at Nacozari and Cananea, Sonora, and Douglas, Arizona spew 1 million tons of sulfur dioxide a year into the atmosphere. The smelters imply the threat of acid rain, endangering the United States southwest and Mexico's northwest. Like the sewage issue in California, measures are projected to respond to the threat, but their implementation is uncertain.

Tijuana sewage and Sonora/Arizona sulfur dioxide reflect two of the border region's most serious ecological problems at present, but threats to groundwater on both sides of the border may be even more serious in the near future. The bilateral equation on groundwater is defined not only as a question of ecology,

but also of competition for scarce resources, thereby adding an additional complication to a difficult issue. The burgeoning border population has implied increasing demand designed to sharpen the potential for national and binational conflict. The salinity crisis of the Colorado River has also contributed to a growing sensitivity to the groundwater issue.

Mexico's decision makers are cognizant of all of those problems and the dozens of others which molest the border region. Mexico has begun to grapple with the ecology issue, but progress is slow and the future ambiguous. In 1971 Mexico enacted its first environmental legislation, encompassing direct regulations pertaining to air and water and indirect references to hazardous wastes. Supplementary legislation appeared again in 1971 and 1973, and a major addition came with the Federal Environmental Protection Law of 1982.

Across the board, implementation efforts have been unimpressive. In 1981, the government forced several plant closures in a singular (and well publicized) effort to combat air pollution, but that effort was more theater than substance. The evidence suggests that little has been done to combat air or water pollution, and even less in the area of hazardous wastes.

The same story obtains in bilateral relations. In 1983, Presidents Ronald Reagan and Miguel de la Madrid signed a Border Environmental Agreement designed to facilitate cooperative efforts. As noted previously, some initiatives are underway, but definitive results always remain in doubt. The explanation for official lassitude is clear enough. Mexico is yet a relatively poor country and its developmental agenda is crammed with items that appear much more important than environmental control. Concern for the environment is depicted as an affectation of the rich; a luxury quite beyond the ken of developing nations. The present economic crisis adds to those general attitudes to dissuade the

government from much effort for the foreseeable future, at least on the domestic scene.

On the other hand, the border environment may fare a trifle better. In the first instance, Mexican nationalism suggests more effort for environmental problems with binational implications than for those limited to the domestic scene. For better or for worse, it is easier for Mexico City to permit Petróleos Mexicanos to pollute the waters of Chiapas and Tabasco than it is to shame the nation by polluting the San Pedro or the New River, which flow into the United States. Moreover, border efforts benefit mightily from the ongoing activity of the U.S.-Mexico International Boundary and Water Commission, a successful example of bilateral diplomacy and one of the more fruitful departures of its kind in the world.

#### THE BORDER ECONOMY

The border economy is characterized by a bewildering array of exchanges generically defined as "border transactions." The conventional border transaction features Americans crossing south to buy booze, gasoline, or artisan wares, and Mexicans coming north to purchase clothes, appliances, and luxury goods. Most of those exchanges are perfectly legal in both countries, but many are not. A flourishing trade in smuggled goods exists along the border. Most of those exchanges are mutually beneficial and perfectly benign, but some are not. Drugs come north and guns go south. In economic terms, border transactions tend to be mutually beneficial, reflecting a high level of interdependence between the rich United States and the relatively poor Mexican side. At least for some Mexican decision makers, the political implications are less welcome than the economic advantages. They see more economic dependence than

interdependence and extrapolate that interpretation to potentially serious problems of political particularism.

The double-edged sword of the border economy is clearly crystallized by the thriving maquiladora, or Border Industrialization Program, the most important and richest of the economic activities on the border. The program has made significant strides in the last 20 years (see Table 1). Twelve plants made up the Border Industrialization Program (BIP) in 1965; by 1980 the program had more than 600 maquiladoras. Employment manifests the same rapid growth, surpassing 100,000 by 1979 and climbing to more than 200,000 by 1985. One report predicts 500,000 employees by 1990. Foreign exchange earnings superceded a half billion dollars by 1977 and barely missed a billion in 1981 before the series of devaluations beginning in 1982. Even with a peso that had dropped to about one-eighth of its 1981 value, the industry rebounded to earn more than one billion dollars in 1984. In comparative context, those earnings take on even more significance. In net terms, the BIP outearns Mexico's much-touted tourist industry.

Despite its considerable economic import for Mexico, a strong undercurrent of opposition criticizes the maquiladora program. Most of the criticisms have little to do with its border location, but two important foci join the issue of Mexico's border economy's integration with the rest of the nation. The charge is that the entire industry is an enclave, an extension of the United States. The maquiladora industry responds to the ebb and flow of the business cycle in the U.S.

Without necessarily denying an essential germ of validity to the argument, a closer scrutiny of the events of the mid-1970s combined with an analysis of recent developments in the industry produces a less damning conclusion. Grunwald

TABLE I

## The Maquiladora Industry: Plants, Employment and Earnings

	No. of Plants	% of Interior Plants	Total Employment (annual average)	Foreign Exchange Earnings (millions of dollars)
67	72		17,936	
68	79		17,000	
69	108		15,858	
70	120		20,327	81
71	209		20,000	102
72	339		48,060	165
73	357	3.9	64,330	278
74	455	5.7	75,974	444
75	454	7.9	67,214	454
76	448	9.4	74,496	536
77	443	10.1	78,433	525
78	457	8.1	90,704	714
79	540	11.1	111,365	638
80	620	11.3	119,546	773
81	605	11.2	130,973	976
82	585	11.7	127,048	851
83	629	12.2	150,867	829
34	685	12.0	203,000	1,200
85	720#	12.3#	240,000#	1,450#
86				

# projected

Sources: Table V and VII in a packet of materials provided by Mr. John H. Christman of American Industrial Parks, Inc. El Paso, TX  
 Table III-1 in Joseph Grunwald, "The Assembly Industry in Mexico", a selected chapter from the draft manuscript of The Internationalization of Industry (Washington, D.C.: The Brookings Institution, 1981), p. 122

argues that "the downturn in assembly operations beginning in 1974 that could be attributed to the U.S. recession was relatively mild and short-lived. Other factors which were internal in nature. . . accounted for a large part of the setback in maquiladora activities through 1976."

It is true, nonetheless, that part of the 1970s problem evolved from American "fly-by-night" operators fleeing Mexico when the United States economy slowed and Mexican wages increased. Those companies were neither able nor willing to weather the economic storm. But the situation was much different by 1985. The maquiladora program achieved a certain maturity characterized by more sensitivity to the damage wrought by irresponsible companies. As increasingly larger numbers of the assembly plants locate in industrial parks, furthermore, a context for more effective control has evolved. Industrial park managers screen applicant companies to insure economic viability. The firms affiliating with the maquiladora program are also larger and better financed, capable of maintaining operations despite the vicissitudes of the United States' economy. None of this is to deny a degree of instability in the maquiladora program, but the evidence does show that the program is less unstable in 1985 than during the recession of the mid-1970s.

Another issue at controversy ~~centers upon~~ the small percentage of Mexican inputs contributed to the industry's products. As the maquiladora program entered its third decade in 1985, this issue emerged as the leading nub of contention between the Mexican decision makers and the foreign-owned firms. Beyond manual labor, land, buildings, and basic utilities, the Mexican economy has contributed very little to the assembly plants' finished products.

The problem is not easy to resolve, although some initiatives are underway. The high level of U.S. control, contacts and materials makes the Mexican program

what it is. Moves to increase significantly the level of Mexican inputs negates major advantages for the U.S. and for American businesses. Still, the Mexican government is campaigning to encourage the U.S. firms to use more national inputs. The 1983 Presidential decree on the in-bond industry ordered Mexico's Commerce minister "to propitiate a greater integration of domestic components in the in-bond industry." To the relief of the U.S. companies, the decree did not compel a set percentage of Mexican content. The Mexican government is not about to apply harsh pressure for the time being, but the 1983 decree does set out a policy goal to be pursued.

The next five years should be used by the United States companies to adjust to these policy goals. As the leading study has it, "a gradual modification of the offshore assembly system as it currently exists in Mexico will be necessary in order to avoid growing political fallout from Mexico that may eventually do serious damage to, if not destroy, assembly activities there." Increasing Mexican national content is difficult for the United States firms, but political prudence demands it. As long as Mexico's economy is troubled, the issues will not catalyze vigorous action from Mexico, but the political wound is bound to fester and United States companies are well-advised to answer the logical and just aspirations informing the political issue.

While the maquiladora program is the single most important legal economic activity along the border, the plethora of smaller transactions adds up to significantly more dollars (and pesos). In 1981, for example, border transactions earned Mexico \$4.8 billion, while Mexican spending on the north side of the line totaled a trifle less at \$4.6 billion. In 1984 the figures had dropped to \$1.3 and \$1.5 billion. The lower 1984 figures derived in part from the economic crisis in Mexico, but more from a new methodology for calculating the



transactions. However important those sums may be to Mexico City (or to Washington), they are even more crucial to the economic survival of the border populations. Open commerce between the two economies implies life-sustaining interchange between two parts of a functionally integrated economic whole. Disruption on the U.S. side spells socioeconomic dislocation on the Mexican side, and vice versa.

In recent times, the U.S. half of the integrated border economy has suffered comparatively worse deprivation than ~~has~~ the Mexican side, but economic problems have affected both the United States and Mexico. A catastrophic devaluation of the peso (about 1000 percent since early 1982) stripped the Mexicans of their buying power in the United States. Economic recession took hold in the U.S. border cities where most businesses are dependent upon border crossers. Border officials and congressmen have cried for special loan programs and impact aid to tide over their constituents until better economic times evolve.

But it is increasingly obvious that better economic times in Mexico are still much in the future. The economic recovery is precarious. The setback concomitant to the earthquake is only the more evident part of the story. Even before that tragedy, the discipline of ~~the~~ de la Madrid government began to wane, as spending and inflation increased. Hence, the population on the northern side of the border and the United States government ought to prepare itself for hard economic times for most of the coming five-year period. Even as the border region grows in size, its relative economic health is in decline.

In smaller ways, the United States seems bent upon contributing to the economic misery of its citizens along the border--not to mention the inhabitants of the other side. Early in 1985, economic havoc reigned when the U.S.

blockaded and shut down border crossings as it pressured Mexico to pursue the assassins of a U.S. drug agent. A mid-summer discussion of an entry fee reflected Washington's complete insensitivity to time and place; the timing could not have been worse; the place demands more freedom of commerce rather than less. Much the same can be said about the potential impact of the Tanden Truck Safety Act of 1984 which restricts the number of Mexican-owned trucks entering the United States. Among the nefarious implications of the legislation for both sides of the border, a recent study provides a frightening litany including "serious losses to the maquiladora industry, agricultural trade. . . , and border area commercial activity," in addition to a "loss of foreign exchange earnings for both Mexico and the United States, increased unemployment. . . , higher consumer prices in both nations, and the potential for serious deterioration of diplomatic relations between the two nations." To add injury to insult, the trucking legislation is also wont to contribute to new forms of smuggling.

Smuggling is already running rampant on the border. Indeed, it may well be the region's single most important economic activity. Accurate figures are, by definition, impossible to get to, but knowledgeable observers estimate 20 to 30 percent of total border economic activity as illegal contraband amounting to more than \$2 billion annually. If the value of smuggled drugs and guns were included, that figure would be dramatically higher, but drugs and guns tend to impact the border more as political than economic issues. (They will be discussed in the next section of this position paper.)

The stock in smuggled trade tends to consumer goods like appliances, televisions, stereos, automobiles, and luxury goods, but literally thousands of other less likely items are secreted across the border. Other big numbers include powdered milk going south and parrots coming north. A poignant issue

reflecting the economic disparity between the two nations is a long-lived trafficking in Mexican babies for American parents. Mexican students crossing over the line in adjoining border communities to attend United States schools is another variation on that basic theme.

Without here addressing the problems of drug and arms smuggling, influences pro and con suggest little overall change for the foreseeable future in the impact of conventional smuggling across the line. On the one hand, the Mexican government's move to lower tariffs and fewer import licenses implies a freer flow of legal goods from the United States to Mexico. Conversely, the ongoing growth of the border region expands the local market and the pool of illegal entrepreneurs almost daily. Like the poor, the smugglers are always with us on the border.

In sum, the border economy implies the bitter and the sweet for Mexico. Mexico's overall economic problems have certainly ramified onto the border region, but the border economy has fared relatively better than the larger national economy. The maquiladora program is booming and smuggling continues apace, providing scarce jobs for Mexicans and needed foreign exchange for Mexico. On the other hand, many in Mexico City smart at the dependent characteristics of the border economy and conjure ambitions of redefining and reintegrating the border into Mexico.

Those ideological proclivities and ambitions continue to imply potential problems for Mexican-United States relations, but their acting out demands manifestly more economic strength in Mexico. Significant increases in Mexico's economic viability will be slow in coming (and may be ultimately owing to succumbing to massive U.S. economic influence). Hence, no major problems connected to the border economy are on the horizon for the coming lustrum.

#### THE BORDER POLITY: NATIONAL AND BINATIONAL IMPLICATIONS

If the border economy implies no major bilateral conflicts for the coming five years, border politics may well take up the slack. The border bristles with political moves and countermoves fraught with potential for conflict. For the purposes of this analysis, the discussion of political issues divides into those relating to the border as political focus (drugs, guns, undocumented migration) and the border as locus for Mexican border politics.

The drugs, guns, and undocumented migration issues demand considerably more analysis than can be offered here, but several perspectives are articulated. Illegal drug trafficking from Mexico is the most explosive controversy in the bilateral relationship. In the early 1970s, Mexico ranked as the largest marijuana and the second most important heroin supplier to the U.S. "Operation Condor" successfully countered the threat and drug traffic diminished markedly by 1977 or so. By the early 1980s, the Mexican connection revived, and today is an important source of U.S. drugs. The DEA estimates that 30 percent of the marijuana and 38 percent of the heroin on U.S. streets emanates from Mexico, with Mexico acting as a channel for 30 percent of the cocaine in the United States.

The United States and Mexico cooperate in the anti-drug campaign, although the U.S. is clearly the senior partner and wont to pressure its neighbor to further commitment and activity. In addition to diplomatic pressure, the United States has also sent money, arms, aircraft, and DEA personnel to several areas in Mexico, not just along the binational frontier. Though far from perfect, Mexico's efforts in the struggle reflect significant commitment. The United States has lost one agent to the Mexican drug mafia, but dozens of Mexican soldiers and policemen have been tortured and killed. Mexico has purged its

police forces, partly informed by an effort to eradicate drug traffic. Perhaps even more difficult for a proud people long subjugated to Yankee might, Mexican leaders have suffered the slings and arrows of insult, disdain, and damnation from official and unofficial sources in the U.S.

All of that may be countering narcotics traffic to the United States, but it may also be working to jeopardize overall bilateral relations. The relationship dipped to a low point in 1985 when the U.S. berated and bullied Mexico in the context of the assassination of DEA agent, Enrique Camarena Salazar. Former foreign minister Jorge G. Castaneda warned that the United States was pushing Mexico too hard and "subordinating all Mexico-U.S. relations to a prompt solution of the drug issue." He suggested that "serious problems would emerge" if the U.S. persisted in its single-mindedness. "Mexican corruption," he continued, "cannot be eradicated overnight, unless one throws the baby--the Mexican political system--out with the bath water." A serious threat to Mexico's political stability hangs in the balance.

In the last analysis, furthermore, narcotics production and trafficking between Mexico and the United States evolve from conditions beyond the reach of the DEA, or the Mexican military, or any other law enforcement body. On the Mexican side, drug production partially emanates from the poverty of the countryside. Eradication of plants is insufficient, unless accompanied by a program to compensate campesinos for the loss of income or to assist them in switching to another crop.

On this side of the border, drug trafficking is nurtured by two major factors. The first is what Heberto Castillo calls the "prostitution of the United States society." George Will agrees that "smugglers are not the core of the problem. The core is the millions of Americans who comprise a brackish pool

of addiction and money." It is, in truth, more than a little disturbing to read the unctuous and self-righteous posturing of Americans anent the "corrupt" Mexicans when it is the "corrupt" American society that creates the demand for the junk. That undeniable fact suggests that policymakers should be attacking the problem of demand as vigorously as they attack Mexico. In the process, they may reduce the problems of narcotic consumption without alienating, or, worse yet, destabilizing a friendly and important neighbor.

Mike Royko gets to a second part of the problem in asking "why are we screaming at Mexico" when marijuana usage is so widespread in the United States. With unquestionable logic, Royko calls for the legitimization of marijuana. In one fell swoop, it puts the American farmer to work, it unclogs the judicial system, it frees up precious jail space, it permits scarce resources to be directed to more dangerous drugs, and, as a special bonus, it provides funds for the public till through taxation. From the perspective of foreign policy, it immediately obviates at least a part of the drug issue in bilateral relations. Barring that sort of dramatic turnaround in United States policy, drugs promise to molest Mexican-United States relations for the foreseeable future.

Although gun running from the U.S. into Mexico is not quite so well publicized as narcotics traffic flowing the other way, it continues as a fairly serious problem in bilateral relations. Mexico passed stiff anti-gun legislation in 1971. Looking at the border perspective, guns are easy to come by in U.S. border states. California strictly regulates the purchase of firearms, but Arizona, New Mexico, and Texas are far less stringent. As with narcotics coming the other way, the transactions go far beyond the border, with guns filtering to Mexico from throughout the U.S.

Much of the weaponry going into Mexico supplies the average Mexican's penchant for owning a gun. Some of the weapons are also transhipped further south. Still, it is fairly well documented that some of the weapons are exchanged for drugs, thereby strengthening the drug mafia. Guns recovered in Mexico in early 1985 at the site of the slain American drug agent had been smuggled out of Chicago, Los Angeles, and San Antonio. Even more frightening, some of the weaponry is going to Mexican terrorists who plan to utilize the arms against the Mexican government. A possible assassination attempt against President de la Madrid has been reported in the context of a conspiracy to smuggle arms. The lack of gun legislation in the U.S. combined with the porosity of the border bodes ill for effective control of arms traffic. Like the problem of drugs, arms smuggling into Mexico brims with potential for political discord in bilateral relations for the next five years and beyond.

Undocumented migration defines a third issue in the bilateral equation in which the border acts as a political focus. Even more than drugs and guns, the issue is well known and needs no longish recitation here. Although the implications for undocumented migration extend throughout the republic, the border acts as a flashpoint for the issue. When the crazies from the Ku Klux Klan parade along the line in defense of the race, some in Mexico unfortunately interpret that lunacy as a significant part of U.S. opinion. More seriously, the border milieu is ripe for accidents and indiscretions that jar bilateral relations and/or impact upon Mexico's or the U.S.'s domestic scene. Several recent episodes exemplify the point. In a mid-1985 shoot out, a Border Patrol Officer was wounded and a Mexican alien killed in a border canyon. A border agent's shooting of a 12-year-old Mexican boy catalyzed even more tension, triggering the Mexican government to demand punishment for the Border Patrol

agent. From the Mexican side, in late 1984, Mexicans blocked the border post in San Luis, Sonora, successfully forcing the U.S. to transfer one of its immigration officers. In another episode, a U.S. border official terrorized a young Mexican in a three-day ordeal that led to the U.S. charging the agent with kidnapping, extortion, and assault with a deadly weapon.

That sample of explosive episodes only exemplifies the panorama of brutalities and stupidities connected to undocumented migration that daily eat away at bilateral amity. Despite too many commissions, excessive political rhetoric, and a fair amount of decent research devoted to the issue, it is still a long way from resolution. Given the realities of U.S. domestic politics, it is probably just as well that the Congress has been unable to produce legislation. It is a good bet that it would be ill conceived.

The next lustrum is unlikely to improve the chances of wise legislation, but a couple of initiatives may assist in managing the issue. In the first instance, the U.S. needs to continue to encourage Mexico to recognize that undocumented migration is a bilateral problem. In recent years, the Mexican decision makers have moved off dead center on the issue, but more needs doing to move toward a common strategy to manage undocumented migration across the border. Within that context, the inevitable episodes and confrontations that occur on the border may be less harmful to bilateral relations.

The second initiative involves U.S. and Mexican cooperation in stemming the flow of other nationalities utilizing the southern border to sneak into the U.S. A certain tolerance exists for poor Mexicans (and persecuted Central Americans) wending their way north, but Mexicans' collusion in secreting in Argentines, Indians, Koreans, or Poles elicits justifiable concern destined to complicate bilateral relations. A clear trend toward increasingly larger numbers of non-



Mexican and Central American illegal migrants is evolving. The problem should be addressed in the near future before it seriously jeopardizes U.S.-Mexican relations.

The reverberations of Mexican opposition politics in Mexico's north is another political issue chock full of potential for jeopardizing good relations between the neighboring countries. Developments on and from both sides set the scene for interventionistic activities designed to explode into diplomatic hassles of the first dimension.

On the Mexican side of the border, the scenario counts several key parts. In the first instance, the Partido de Acci3n Nacional (PAN) is growing in influence and challenging the political monopoly of the official Partido Institucional Revolucionario (PRI), particularly in the northern border states. In the summer of 1985, the PANista challenge focused upon gubernatorial races in two border states, Nuevo Le3n and Sonora. Official fraud in the elections implies the second ingredient in the volatile mix. Running scared, the PRI strong-armed its way to victory in the two states. The obvious fraud outraged the PANistas (and others), catalyzing violence in the border cities of Agua Prieta and San Luis, Sonora; and setting the scene for more violence in Monterrey, the capital of Nuevo Le3n. ~~Those several~~ episodes followed in the train of violent confrontations some six months earlier in another border city, Piedras Negras, Coahuila. The entire scenario is filled with potential for bilateral discord, but the border city violence is particularly explosive.

Influences general and specific from the United States contribute to the situation. In a diffuse way, the U.S. participatory example sharpens opposition frustrations in northern Mexico. Northern Mexicans know the U.S. relatively well as documented and undocumented shoppers, tourists, and workers. Some

evidence suggests that experience in the U.S. contributes to attitudes conducive to questioning the Mexican system. But there is no need to fish in the murky waters of attitudinal change to acknowledge U.S. influence. It is markedly more tangible and specific. Many individuals and organizations along the border are openly supportive of the PANista cause in Mexico. Although the PAN vehemently denies it, little doubt exists that some financial resources are channeled from U.S. private sources to the opposition party. The U.S. border (and national) press is also frequently critical of the Mexican government and sympathetic to the PAN.

Beyond its editorial posture, the mere existence of the U.S. press works its influence along the border. U.S. and foreign journalists offered comprehensive coverage to the July, 1985 elections and, in the process, encouraged vigorous protests from the PANistas, who charged that they had been cheated in the elections. It is obviously no accident that violence has exploded in three border cities (Agua Prieta, Piedras Negras, and San Luis) where the opposition had access to the U.S. media.

Concomitantly, Mexican officialdom is wont to respond to the U.S. media intrusion. A case in point concerned a television journalist from Phoenix who ran afoul of Mexican police and was allegedly tortured. Representative John McCain (R, Arizona) called for congressional hearings on the charges. Hearings are bound to be interpreted as unwanted (and illegal) intervention in Mexico, putting stress on the bilateral relationship. Media interest in the Mexican border state elections promises to grow in the coming lustrum, portending numerous opportunities for incidents leading to conflict between the U.S. and Mexico.

But border politics implies even more dramatic events. As anticipated in recent border city violence, it conjures the image of significant numbers of Mexicans literally running into the U.S. in search of political asylum. The problem is only embryonic, but its features are clear enough. In Piedras Negras in February, 1985, nearly 100 Mexicans fled to the Eagle Pass, Texas side of the bridge. Twenty PANistas threatened to request political asylum from the United States. In Agua Prieta, the situation grew equally volatile. In one incident, a truck sped across the border from the Mexican side; Mexican border officials fired two shots at the escapees. In another even more dramatic situation, literally hundreds of PANistas, Mexican police, and military faced off against the U.S. Border Patrol in full riot gear, buttressed by local and county U.S. police; with a group of PANista demonstrators in the middle. The Border Patrol was prepared to protect the protesting PANistas if they fled to the U.S. side.

Wars have been made of less and serious diplomatic discord is certainly in the offing as these confrontations multiply in the immediate future. All indications point in that direction, unless the policies of the Mexican decision makers change markedly. Forthcoming elections in Chihuahua may offer some evidence on the direction that Mexico City will follow. History teaches that little change can be expected in the official political hard line.

In sum, the evolution of political issues concomitant to the border augur ill for bilateral relations through 1990. Mexican drug production and trafficking will continue to trigger U.S. political and diplomatic pressure and growing Mexican truculence. From the northern side of the border, arms shipments will bother diplomatic amity. Undocumented migration will continue apace, triggering ongoing episodes implying mini-crises. Most seriously, Mexico's

opposition PAN will play its border card to the hilt, conjuring possible scenarios fraught with serious potential for damaging bilateral relations.

#### CONCLUSION

The Mexican-United States border implies a special significance for Mexican domestic policy and for bilateral relations. For the Mexican domestic equation, the border carries a bittersweet flavor. The sweetness derives from economic prosperity; the bitterness from Yankee influence and domestic political opposition. For the bilateral relationship, the border acts as a catalyst calculated to spark ecological, economic, and political conflict. To make matters worse (or better?), the border region grows in significance for both Mexico and the United States and for relations between the two. In the first instance, the entire sweep of the bilateral relationship gains in consequence almost daily. Moreover, migrants flock to the United States' southwest and Mexico's northwest (and beyond) in search of sun and sustenance. In the process, they create relatively more economic strength and political punch in their respective national contexts. They also interact with one another more frequently, connoting economic and sociocultural adaptation and cooperation, but also increasing the possibilities for political conflict.

For the nonce, those conflicts have been manageable, but they constantly gnaw at bilateral amity and occasionally advance toward serious discord. For the next five years or so, the panorama of border related issues presents a mixed bag. Some of them are irritating, but not about to get out of hand under any conceivable circumstances. Others depend upon the evolving economic milieu to act out their potential for dissonance; while still others appear constantly on the cusp of contentious conflict.

In the realm of border ecology, a host of problems fester but never quite jeopardize bilateral relations. At the western end of the 2000 mile border, Tijuana sewage overloads the San Diego system and overflows into the Tia Juana River and Pacific Ocean, befouling the waters and threatening disease. On the Arizona-Sonora line, sulfur dioxide spews from three copper smelters (two Mexican, one American), polluting the atmosphere and threatening both nations with the curse of acid rain. Both nations have taken official cognizance of the ecological problems. Cooperative agreements are signed, but implementation remains in doubt. In the background, embryonic controversy looms over utilization of the region's groundwater.

Mexico counts other priorities. Hence, the nation's commitment to policing the environment is ambiguous at best. But all is not lost. Mexican decision makers tend to pay attention to the border region, for nationalism's sake and be more sensitive to the quality of air and water shared with the United States. Moreover, the bilateral International Boundary and Water Commission performs yeoman service on the line and is hard at work on a plethora of issues touching the border ecology.

For the present lustrum, the border economy promises few substantial changes and little threat to bilateral amity. The maquiladora program thrives on Mexico's general economic malaise, as wages and costs decrease with the diminution of the peso's value. It supplies much-needed jobs and foreign exchange, and is highly valued in the process. It also raises nationalistic hackles as it represents an extension of the Yankee economy, and as it evolves far too slowly to the utilization of more numerous units of Mexican input. For the moment, however, it is far too economically important to attack, although economic good times may provide the context for increasing regulation of the

industry. Like the poor, border smuggling is always with us and not about to change much for the foreseeable future. Petty and irritating intrusions from Washington appear to be more visible on the border of late. They are really not destined to substantially alter the border economy, and they are not about to invite significantly bilateral discord, but they do imply negative economic and political consequences for both sides of the line.

If the border ecology and economy connote a series of troublesome issues, the border political equation produces measurably more day-to-day tension and potential for serious conflict in the near future. As the flashpoint for trafficking in Mexican drugs, the border reflects the volatility of the issue. The United States berates and bullies Mexico, chancing the distinct possibility of a vigorous and damaging Mexican reaction. Confecting a variation of the theme of dependency theories, United States' policymakers blame American drug addiction on Mexican (and other) suppliers. Mexican soldiers and policemen die in the anti-drug campaign and Mexican officials smart at the smears of their neighbor to the north. Looking to the opposite side of the coin, contraband weapons flood Mexico from the north, empowering the narcotics mafia and domestic terrorists. Both issues brim with political dynamite calculated to bring on serious crises in bilateral relations.

Border politics also sketches out a panorama fraught with potential for conflict. If PANista political punch and militancy continue and PRIista political obstinance persists, the scene is set for outbreaks of political violence in Mexico, spilling over the line to the U.S. side. Influences from the United States, particularly the media, thicken the plot. Intentionally or not, they add an exogenous contribution to the context designed to encourage political

opposition and its destabilizing implications, however just the cause of the opposition.

For the near future, in sum, border activities promise to trouble Mexican-United States relations. Ecological problems will persist; economic controversies will be put aside, but strain to be realized; political issues imply conflict.

#### EXECUTIVE SUMMARY

The paper describes and ~~analyzes~~ selected border problems, their significance for Mexican policy, and for Mexican-United States relations. In addition to the introduction and the conclusion, the paper is divided into four parts. The first section of the paper sets out the larger evolutionary changes within the border context. The next three sections form the analytical foci of the paper in looking to a series of border issues organized around discussions of the border ecology, the border economy, and the border polity. In all instances, the paper looks to an analytical projection of five years or so--roughly to the beginning of the next decade.

The discussion of the border context emphasizes the increasing significance of the binational border region in both nations and in bilateral relations. In the first instance, all that pertains to Mexican-United States relations is more consequential than it was a decade ago, and the border region is central to the overall relationship. Moreover, populations of the border states on both sides of the line have burgeoned. Concomitantly the economies have expanded, and the political punch of border dwellers has proceeded apace. As the populations of the border states have increased, so has the interaction between citizens on both sides of the line. That miniature melting pot is to be praised, but it also signals multiplying opportunities for problems in the bilateral equation.

Ecological issues exemplify the point. Among the many problems that molest the border, two stand out at present and one projects into the future. At present, Tijuana's sewage is taxing the San Diego system and polluting the Tia Juana River and Pacific Ocean. The "Gray Triangle" of copper smelters in Sonora and Arizona is issuing vast amounts of pollutants and endangering the ecology on the border (and beyond) for hundreds of miles in all directions. Formal arrangements are in force to resolve those problems, but Mexico's commitment and capabilities are in doubt. Pollution of and competition for groundwater looms as a future problem. Prospects for resolution are not good, but a couple of factors may be a trifle more promising. Mexico's nationalism may urge it to more effort along the border, and the binational International Boundary and Water Commission has a good track record in resolving border problems.

The analysis of the border economy centers upon three foci--the maquiladora, or Border Industrialization Program; conventional border transactions exemplified by booze coming north and small appliances going south; and smuggling, an important ingredient in the border economy. The maquiladora program is booming. It pays rich economic dividends to Mexico by providing nigh on to 300,000 jobs and nearly \$1.5 billion in foreign exchange earnings (for 1985). Nonetheless, Mexico's decision makers criticize the program as an extension of the U.S. economy; more specifically, for not utilizing more Mexican economic inputs. The program is safe for the time being, but Mexico's return to economic strength may set the stage for more rigorous regulation of the industry. Both sides of the border economy have suffered the pangs of Mexico's economic recession, the northern side relatively more. Both sides also suffered from the U.S. shutting down the border in response to last summer's drug-related crisis. While the border economy is rather better, the prognosis cannot be



promising as Mexico's economy remains precarious. Some moves to open the Mexican economy may marginally reduce the relative impact of smuggling over the next lustrum, but continuing growth along the border will offset that gain and probably result in little effective change in the scale and impact of border contraband.

Border politics imply the potential ~~for~~ measurable conflict between the U.S. and Mexico. The drug issue invites reaction from the Mexican side as the United States bullies and berates its neighbor. Guns coming from the U.S. into Mexico count another issue with conflictual implications. The porosity of the border bodes ill for controlling either. Undocumented migration produces almost weekly episodes calculated to prick nationalistic sensitivities, although a certain mutual understanding characterizes that issue, perhaps deriving from its recognized mutual advantages and its long life.

Opposition politics on the Mexico side define yet another border issue with manifest potential for bilateral conflict. If the ruling PRI refuses to acknowledge the electoral strength of the opposition PAN, violence is bound to increase and that violence is wont to spill over the line. In one scenario, large numbers of Mexicans may literally flee north and create an embarrassing political quandary by seeking political ~~asylum~~. While ecological and economic issues may irritate the bilateral relationship in the near range, political problems may bring it to crisis.

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ISSUE #8

"WHAT FACTORS EXPLAIN THE DECLINE OF THE PRI  
AND  
WILL IT CONTINUE TO ACCELERATE?"

BY

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What Factors Explain the Decline of the PRI and Will It Continue to Accelerate? (Issue paper #9, prepared for working group on "Mexico, the Next Five Years")

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Mexico's Party of the Institutionalized Revolution (PRI) serves as a subordinate extension of the presidency and central-government bureaucracy, and its decline reflects problems in the recent evolution of those institutions. The overall political system, in turn, has been battered by the combined effects of accumulated bottlenecks in Mexico's development strategy, the volatile global economic order since the early 1970s, and a populist, confrontational political style of the presidents during 1970-82. This paper suggests causes for the decline of the PRI, and examines the functions of the party in the Mexican system, the party leadership under President Miguel de la Madrid (1982-88), and some of the internal and external dynamics of the party. It concludes with an assessment of party and system reforms and with some projections for the period 1985-90. An Executive Summary and a list of abbreviations appear on pages 29-30.

#### Causes for the Decline of the PRI

Mexico's PRI is a genuinely indigenous party, one that has evolved since 1929 in response to a series of specific historical

challenges. The PRI might most usefully be viewed as a semi-authoritarian, hegemonic party, which--while voicing liberal aspirations--acts primarily as an instrument of government to maintain an elite in power and pursue goals that emanate from the Mexican constitution of 1917. The party acts as a basic pillar of a strong presidential system, along with the civilian and armed bureaucracies. Thus, for the sake of accuracy, the terms PRI-government or bureaucracy-PRI are useful from time to time to reinforce the point that the party is a subordinate extension of the presidency and the bureaucracy.

Two points follow from the above. First, the decline of the PRI reflects a decline of the overall presidential system and appears in the functions that the party is called upon to perform. Second, significant changes will not emanate from the party; rather the party will reflect whatever changes might originate in the presidency-bureaucracy.

It may be worth substantiating the assumption that the PRI is somehow in decline. Fairminded observers could very well point out that, in contrast to many other Latin American countries, Mexico has shown extraordinary strength and resilience in absorbing the shocks of the 1982-85 austerity program. Much of the success is owed the PRI, which is unique in the region for its scope and complexity. A number of signs, however, point to stress and deterioration that in some ways might be considered a "decline" of the PRI-government.

The state and local elections of 1983 sent a shock through

the Mexican system when opposition parties, especially the National Action Party (PAN), won an unprecedented number (since 1967) of state capitals and important cities. The wave of victories was brought to a halt in Baja California Norte in September, as the PRI's candidate won the governorship and preserved intact the party's monopoly of the presidency and governorships since 1929. While one might argue that the PRI still won overall about 70% of the vote and 96% of the offices in the 1983 elections, the opposition's advances signalled an unwonted erosion of support for the party-government. Those who had taken the system for granted began to take another look.

Symptoms of decline had been evident long before the 1983 elections. Some students harken back to 1929 when Jose Vasconcelos lost to the PRI's forerunner party in apparently tainted elections. Probably more would choose the presidential elections of 1952 and the phenomenon of henriquismo<sup>1</sup> as the benchmark; others might stress the labor strikes that ushered in the sexenio of Adolfo Lopez Mateos (1958-64) and led to a series of incremental reforms beginning with that administration. Virtually all commentators point to the 1968 student movement and the October 2 massacre at Tlatelolco Square in Mexico City as a watershed event that planted widespread doubt, especially among the youth and intelligentsia, about the democratic and egalitar-

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<sup>1</sup> Gen. Miguel Henriquez Guzman, a candidate of the populist left, ran against Adolfo Ruiz Cortines in the 1952 elections, in which the opposition was granted about 25% of the vote, but probably did better.

ian projects of the Revolution.

What these events have in common is their demonstration that the PRI-government arrangements were failing to channel important political demands through party/electoral mechanisms. Increasing demands, in turn, were a product of both material deprivation and of democratic aspirations in the context of a development strategy encountering limits. Rather than effective reform of the party itself or of the electoral system, elites preferred the more expedient measure of electoral domination.

Efforts by Presidents Luís Echeverría (1970-76) and José López Portillo (1976-82) to revive a sort of populism as a means to revitalize the system must be considered unsuccessful, at least in the short term. Among the consequences of their state-led growth strategies were the rise of the public sector bureaucracy (which reached new historical heights with the bank nationalization of 1982) and the estrangement of important elements of the business community. For the first time since the late 1950s, capital flight on a large scale became a lever in state/private sector relations. The growth of the public sector bureaucracy reinforced the accretion of political influence to the technical elite and lessened to some degree the influence of the priista politicians. And there was a widespread impression that both presidents had undermined important rules of the game, Echeverría by design and ambition, López Portillo by misjudgment and misfortune.

Changes of this magnitude created tensions not only at the

societal level, but also within the PRI-government as well. The selection of Miguel de la Madrid (a technocrat) as presidential candidate in September 1981 was met with undisguised coolness by the party president and with explicit reservations from the labor sector. Criticism of president López Portillo reached unusually high levels, even while he was still in office, as did criticisms by party regulars of both Echeverría and López Portillo early in the De la Madrid presidency. The mystique of the presidency was badly tarnished.

In short, while one should keep in mind the PRI's distinctive record of coherence and stability, the assumption of deterioration is well grounded. Two basic causes of the party's decline are that the 1917 Constitution itself posits conflicting projects, and the party is caught up in contradictory roles; and the PRI was constructed in its essential form nearly fifty years ago, and the society and economy have changed enormously since that time. Both of these factors are exacerbated by the worst economic crisis since the Depression.

The 1917 constitution serves as the basic legitimating document of the Revolution. To simplify, it sets out three projects: nationalism, social welfare, and liberalism. The PRI has claimed for itself the mantle of the party of the majorities with the historical mission of carrying out these projects. To the extent that the party could demonstrate continuous economic growth and plausible progress toward a better life for many, there was less urgency in demonstrating progress toward liberal



democracy. But as growth and opportunity have foundered, the PRI-government has attempted to revive the liberal project (i.e., real electoral competition, honest elections, and the like) as a basis of legitimacy. Rather than plebiscites to reconfirm the PRI-government's rule, elections were to serve as opportunities for meaningful popular choice among competing elites. The PRI, however, is simply not designed to compete as a party. Rather, it was constructed in its essential features during the mid- to latter-1930s as a mechanism to integrate new elements (labor, farm groups, and emerging middle-sector groups) into politics in a controlled fashion. The party became a kind of holding company of groups; thus, the politics of the PRI concerns control over groups, not the waging of campaigns for the votes of individuals. In turn, the groups (sectors and bureaucratic elites) that enjoy privileged status within the PRI would be jeopardized by reforms that might strengthen the party in electoral competition (e.g., greater ideological rigor, increased local-level participation in candidate selection).

Furthermore, the party was constructed at a time of relative societal simplicity. The country was largely rural, with only embryonic labor movements or entrepreneurial sectors. Thus, a corporatist design, with labor, farm, military, and popular sectors, might usefully categorize society for purposes of political organization. But Mexico has undergone social change of monumental proportions since the Second World War, and the party has struggled unsuccessfully to accommodate itself to the

new social complexity.

Functions of the PRI in a Presidential System

Despite the line of analysis that emphasizes decline, the PRI still performs critical functions in Mexico's presidential system. With a claimed membership of 14 to 16 million and with state and local organizations throughout the country, the PRI provides a channel of information to the presidency that complements those of the military and civilian bureaucracies. The party also organizes support for presidential policies, be they "moral renovation," "economic realism" or "revolutionary nationalism." It offers a complex structure to absorb and broker conflicts, and it undergirds the presidency in the critical succession process, when a variety of interest demands often are heightened. In a broader system perspective, the party contributes to socialization of both elite and popular strata, making easier the achievement of ideological hegemony for government. And with control over thousands of elected and appointive jobs, it provides channels of recruitment for the politically motivated and the incentives for the disciplining of a very able political class. Finally, as an electoral machine, the PRI structures the vote in the electoral arena.

Given the six-year rhythm of the presidential system, the national party is least active during the first two years (1983-84 in the present context), which provides a time for installing and testing new leadership and cadres and for trying out new ideas. Only one governorship, albeit in the important

state of Baja California Norte, is up for election. (In the second year no governorship is up.) By the third year (1985), the party is throddling up to speed, with the mid-term election of 400 national deputies, seven governors (including the critical states of Nuevo Leon and Sonora), and hundreds of state and local officers. But the fourth year begins the critical phase, with 14 governorships at stake and the presidential succession underway in earnest. Blunders and miscues at this point are much more costly than at the outset of the sexenio. The party's candidate is selected at some point in the last quarter of the fifth year (1987), and from that time until the inauguration (1 December 1988) the party assumes its greatest importance as the source of new programs and personnel for the next administration.

#### Party Leadership under De la Madrid

Given lack of space, this paper can only sketch some aspects of the present party leadership in order to illustrate general trends and provide a baseline for projections. The main points are that the party leadership is subservient to the nation's president, the political technocrats have pretty well integrated themselves into the PRI's National Executive Committee (CEN), the key decision-making body, and we are seeing a kind of logical division of labor, with the experienced políticos holding certain positions, while the younger political technocrats are serving a sort of apprenticeship. Note also that 14 states are represented in the CEN and that there is some effort to balance appointments from the sectors (i.e., labor, farm, and popular) to the other

party offices (e.g., organization, IEPES).

CEN MEMBERSHIP, as of July 1985

President: Senator Adolfo LUGO Verduzgo (b. 1933, Hidalgo, law and master's/UNAM, graduate work in public administration/ENA/Paris, background in SHCP, IMSS, CONASUPO, Diconsa, SPP, father was governor of Hidalgo)

Secretary General: Deputy Irma CUE Sarquis (b. 1938, Veracruz, law/UNAM, background in Treasury, CONACYT, and Presidency/Administrative Studies)

Adjunct Secretary General: Senator Manuel GARZA González (about 50, Tamaulipas, long experience in party and electoral politics, expert on practical political questions)

Secretary for Administration: Deputy Genaro BORREGO Estrada (b. 1949, Zacatecas, industrial relations/UIA, background in SEPAFIN, SPP, and state government: Hidalgo)

Secretary for Labor: Blas CHUMACERO Sánchez (b. 1908, Puebla, several-time deputy, CEN member in late 1940s, labor representative on CEN since 1964, deputy candidate in 1985, close to Fidel Velazquez)

Secretary for Farmers: Senator Mario HERNÁNDEZ Posadas (b. 1929, Veracruz, agricultural engineer, active in PRI since 1952, deputy on two occasions, experience in CNC, background in SRA, and Ejidatario Bank)

Secretary for Popular Sector: Deputy Enrique FERNÁNDEZ Martínez (b. 1938, Guanajuato, law/UNAM, general delegate of CEN on several occasions, from political family)

Secretary for Political Action (Deputies): Deputy Humberto LUGO Gil (b. 1934, Hidalgo, law/UNAM, former deputy, long experience in CEN, CNOP as general delegate, cousin of Adolfo LUGO Verduzgo)

Secretary for Political Action (Senate): Senator Antonio RIVA PALACIO (b. 1928, Morelos, active in PRI since early 1950s, general delegate of CEN and of CNC, former deputy from Morelos)

Secretary for Organization: Deputy Hector Hugo OLIVARES Ventura (b. 1944, Aguascalientes, secondary school teacher, political science/UNAM, active in PRI since early 1960s, significant offices since 1969, general delegate of CEN and CNC in several states, former senator from Aguascalientes)

Secretary for Political Training: Arturo NÚÑEZ (mid-30s, Tabasco, economist, background in administrative studies/

Presidency, 1977-82)

Secretary for Electoral Action: Fausto VILLAGÓMEZ Cabrera (Guanajuato, former subsecretary for electoral action and official in National Voters Registry of SG)

Secretary for Ideological Divulcation: Jose Natavidad GONZÁLEZ Parás (mid-30s, Nuevo Leon, specialist in public administration/France, background in administrative studies, Presidency, 1977-82)

Secretary for Information & Propaganda: Deputy Juan SALDAÑA Rosell (D.F., formerly an adjunct secretary)

Secretary for Social Action: Deputy Alberto MIRANDA Castro (b. 1932, Baja California Sur, primary school teacher, active in PRI and SNTE since early 1950s, most of professional work in Baja California Norte)

Secretary for International Affairs: Senator Humberto HERNÁNDEZ Haddad (b. 1951, Tabasco, former deputy on two occasions, specialist in international relations, law/UNAM, graduate work at Harvard, Johns Hopkins)

Secretary for Sports Promotion: Deputy Antonio MURRIETA Necochea (b. 1935, D.F., engineering/UNAM/UIA, Deputy for Veracruz, active in PRI since early 1950s, background in CONASUPO, SEPAFIN, SECOM)

Secretary of Finance: Jorge THOMPSON Aguilar (D.F., formerly of SPP)

Secretary Coordinator for Revolutionary Unity: Jesus VIDALES Marroquin

Representative of National Movement of Revolutionary Youth: Jose Encarnación ALFARO Cazares (Sonora, former general secretary of Popular Revolutionary University of PRI)

Representative of National Revolutionary Womens Group: Sen.-Yolanda SENTIES de Ballesteros (b. 1940, State of Mexico, chemistry/UNAM, law/State of Mexico, public administration/Oaxaca, active in PRI since early 1960s, former mayor of Toluca, deputy from State of Mexico)

Director of Institute for Social, Economic and Political Studies (IEPES): Sen. Ángel ACEVES Saucedo (b. 1940, Puebla, economist/ UNAM, graduate work at NYU, former deputy, close to CTM leadership)

General Director of Promotion and Works: Roberto MADRAZO Pintado (b. 1940, D.F., former deputy from D.F., son of former

PRI president Carlos A. Madrazo)

Political Dynamics within and about the PRI

Two considerations help in understanding the tensions and dynamics within the PRI, between the party and government, and party-government and society: the party serves as an instrument of the presidency-government, and the dynamics take on particular form due to the centralized, sectorial organization of the party.

Beginning with internal dynamics, a striking feature is the structural tension between the national leadership and party militants at the grass roots. Sectorial leaders at the national level need prestige patronage positions (such as deputy or senator) with which to reward their followers and thus reinforce loyalty and discipline. Such patronage and loyalty are essential in turn to the system as a whole. The struggle takes place on a two-step basis: organizations within the sectors compete among themselves for shares of sectorial quotas of positions; and the sectors compete as well to protect or increase their shares of the total number of positions available. For example, Fidel Velázquez as head of the CTM needs to be able to distribute prestige positions based on a calculus of loyalty and importance to the CTM and the labor sector and not to the constituents' electoral preferences in a geographical district. Gaining the positions pits him first against the other unions in the Labor Congress (CT) and then against other sectorial leaders. The same principle holds with the other sector leaders. Of the 300 majority deputy candidates chosen in March 1985, the labor

sector increased its quota over 1982 from 72 to 74, but the CTM's share declined from 33 to 31.

Other interests enter as well at the national level. Cabinet secretaries and state governors maneuver to have their people selected as candidates as part of a strategy to acquire power, often to influence the presidential succession. The army lobbies for its historical quota. Party leaders in turn factor in the need for technical expertise in the PRI's congressional delegation in technical areas such as public finance. Finally, the party often finds it useful to nominate a celebrity of one or another fame. In sum, a variety of needs enter at the national level that do not take into account necessarily the popularity or electability of the candidate at the district level.

"Down home," and especially in the more developed and urbanized districts, party militants need attractive, electable candidates at a minimum, and--even better--some assurance that militancy might some day translate into prestige posts. The party can mitigate this national/local tension a bit by ceding greater local influence over the offices of municipal president and city council. As former president Adolfo Ruiz Cortines supposedly commented: "The municipalities are for the people; the state legislatures are for the governors; and the national congress is for the president." Problems frequently arise when governors intervene capriciously in municipal nominations in order to increase their own influence in the state. This sort of intervention may create tensions with local-level leaders, who

then seek assistance from national party organs. The CEN's general delegate in the state is expected to serve as an honest broker, but he might be neutralized by cross-cutting pressures. The worst scenario from the party's point of view is that of an unpopular governor, put into place by presidential whim, who then uses his personal friendship with the president to prevent national-level party interference in his own project of personal power aggrandizement. Since elections at the municipal level are often those that excite greatest emotion, a meddlesome and unpopular governor can create problems first for the party, then for interior, and ultimately for the president.

The national/local tension is neither uniform nor inevitable; that is, probably only a minority of PRI candidates serve national needs only and prove difficult to elect. Also, in many cases local elites might prefer a candidate with strong state or national connections. But all too often unattractive candidates are simply assigned to districts. Some observers point to the labor sector as the most prevalent source of tensions. The popular sector, on the other hand, has greater latitude in selecting effective candidates. The farm sector presents less of a problem due to the party's virtual monopoly over the rural vote. Overall, the party's ability to generate resources and mobilize votes has tended in the past to overcome the tensions between national and local needs. But with the electoral reform of 1977 and the economic crisis of the early 1980s, the tension has become more apparent as the opposition parties have begun to



mount more effective campaigns to benefit from popular unrest.

At the local level, the sectorial design may create additional problems<sup>5</sup>. The tendency by and large is for sectors to lay historical claim to an electoral district in national elections and to state and local-level districts (sometimes an agreed share of city council seats) for local elections. To the extent that the district is predominantly rural (thus CNC), industrial (CT), or urban (CNOP), there may be congruence. It is logical, for example, for the STPRM to receive a candidacy in the Coaltza-coalcos area of Veracruz, where petroleum is the main industry and the union is engaged in a variety of economic and service activities. But other districts are less clear cut in their demographic characteristics. Assuming even that the candidate has local roots and some popularity, his designation by one sector may imply lack of knowledge about the other sectors and sometimes lack of real support by them in the campaign. (Reconsider the Veracruz example cited above from the perspective of the CNOP and CNC locals, who are permanently frozen out of a deputy nomination and must settle for lesser prizes.) The problem is usually manageable where there is customary cooperation and tolerance among the sectors and where a prudent governor and state party leader can persuade the sectors to contribute to party harmony (as currently in Morelos, for example). But absent such conditions, and where the sectors may have a history of tension and the state-level leadership plays upon tensions for personal gain, there may be conflicts and occasional breakdown,

with disappointed office-seekers even bolting the party to run as candidates for opposition parties (which might apply to several recent cases in northern Mexico). Thus, even if a sector's quota is maintained at the national level, the specific district may experience problems.

Another broad area of internal tension takes place among the party sectors as these jockey to preserve or increase their power within the party. Labor is the most cohesive and militant sector, and a reflection of this competition is labor's periodic campaign to have the PRI designated a "workers party," thus returning the party to the populist militancy of the Cardenas era. The CNOP and party bureaucracy typically press to retain the formula of the party as a "permanent alliance of the fundamental forces of the Mexican people." The "scorecard" in the sectorial competition is usually the list of nominations for the senate and chamber of deputies at the national level, as well as the ongoing tabulation of gubernatorial nominations as these occur over the sexenio. The balance among the sectors at the state and local levels tends to remain fairly stable and to reflect in general terms the characteristics of the state and region (as discussed above). By and large, the tendency over the past years has been to strengthen the popular sector in response to the presidency's efforts to build a personal following as well as the party's effort to respond to a more complicated society. One also notes occasional complaints about "Florsheim" or "wingtip" farmers as popular sector individuals are imposed on

the farm sector, which is less able to protect its turf than is the labor sector. (The CNC leader suffered the further ignominy of a cut on his watch of the sector's 1985 deputy quota from 41 to 36.)

There are basically two currencies of influence in the party: numbers (thus votes), and strategic importance (contribution to system maintenance or capacity to create pressure, as with wealthy and/or strategically placed labor unions or important professional groups). In either currency, control over organizations is the key. Sectorial leaders strive to maintain control over their own groups, and sectors may compete for the right to organize new groups. Most of the tension occurs between the CT and the CNOP over which new organizations belong where. The nationalization of the banks in 1982, for example, set off a brief scuffle over which of them would organize the bank employees, who previously had been legally barred from union membership. (The CNOP "won.") Often the lines that separate the labor and popular sectors are drawn from custom and usage rather than elegant logic. Thus, at the national level, the FSTSE appears to operate in both the labor and popular sectors. And at the local level, to cite a mundane example, taxi drivers in different cities may belong (by diverse procedures) to either CT or CNOP affiliates.

An area of agreement among the sectors, however, is to limit the influence of the party bureaucracy. That is, the three sectorial leaders--and especially labor--prefer a small CEN in

which their votes and lobbying efforts might carry more weight. The increase in number of CEN positions, from 8 in 1958 to 23 in 1985, both strengthens the hand of the party president and allows the party to respond to greater societal complexity without increasing the influence of the sectors. Had the youth and women, for example, been organized within the three sectors, they would likely have received less attention and would have reinforced the influence of the sectorial leaders. In the 1984 party assembly, the CTM called for a reduction in the size of the CEN, and the youth leader criticized the undemocratic style of the CTM. Also interesting in internal politics is the responsiveness of the various party offices to sectors' orientations. At different times in the past, IEPES has been more responsive to the technocrats and CNOP. At present, under Senator Aceves, it appears more closely allied with labor.

Centralization, among many other factors, has contributed to the decline of party militancy at the grass roots level, and the national leadership has not yet found a way to revitalize the base while at the same time preserving the sectorial and centralized logic of the party. In early 1983, party president Lugo Verduzco hit upon the idea, quickly discarded, of encouraging national-level officials to attend party meetings and to participate in party activities in their home towns. A related effort at about the same time was the constitution of an "ideology commission" to clarify party thinking and thus presumably to educate and motivate the base. Mostly, however, Senator Lugo

gave speeches exhorting greater militancy (and occasionally hinting at sanctions against the passive).

Apart from internal dynamics, a separate but related set of tensions involves relations between the party and the national government bureaucracy, even though--as noted above--the overall relationship is more one of support and cooperation. This area of dynamics in turn has repercussions within the party in either strengthening or weakening the contending forces. These tensions include the party's demand for partisan militancy versus the indifference or hostility of bureaucrats; the party's and sectors' lobbying for specific policies versus the bureaucracy's broader and longer (or at least different) view of issues; and the tensions that arise where the distinctive functions that the party and bureaucracy perform in Mexican politics come into conflict.

The tension between partisan militancy and neutral competence is universal, and we are familiar with discussions of the "red expert" in the Soviet Union and the "in-and-outer" in the United States. The underlying concern is that technical competence often displaces ideological commitment. In Mexico, since the mid-1960s the bureaucracy has been rewarded to the relative neglect of the party, this to the point that the so-called technocrats themselves have become concerned about the decline of militancy, not only in the party but also in the bureaucracy. A PRI survey of 3,500 top-level administrators reported in February 1984 showed that 42% indicated no party preference. The response

to date has been for Senator Lugo and President De la Madrid to exhort greater partisan involvement from the bureaucrats. The campaign reflects the president's belief, expressed frequently by Lugo Verduzco and other party spokesmen, that there is no place for ideological neutrality in the public administration. Related to this was the revival of the practice of soliciting party dues from middle- to high-level bureaucrats, and the pressure on functionaries to participate in get-out-the-vote campaigns in favor of the PRI.

The responses to such pressures have generally been unfavorable. On the one hand the campaign provided the PAN and the left opposition parties common ground to point out the incompatibility of modern liberal democracy with the PRI hegemony, and the opposition advanced legal constitutional arguments about freedom of conscience and expression against the militancy campaign. As might be imagined, many bureaucrats themselves balked at paying party dues.

A second area of party/government tension involves public policies, including general government orientation as well as specific programs. At the general level, such broad goals as revolutionary nationalism, development, and the like, provide threads of consensus between the party and the government. Typically, the party works as the government's evangelist, carrying the message forward as either an echo or amplifier of government statements.

In the economic growth period of 1946-71, the party gained

strength in allying itself with progress and development, but in the period of crisis and austerity of the early 1980s, the party finds itself 'defending difficult and unpopular government programs. The party's Manifiesto al Pueblo de Mexico in late 1983 expressed fairly strong criticism of the government. By the Twelfth National Assembly in August 1984 the PRI was attempting to come to terms with the austerity program. And for the July 1985 congressional elections, the party had prepared for its candidates a sturdy question-answer defense of the government's economic policy.

At the sectorial level, it is common for the CT and CNC to pressure government on specific issues of concern to labor and the rural poor. The CNOP is too diverse and complex to take positions as a sectorial entity on specific policy questions, except perhaps symbolic concerns, such as nationalism. Its constituent groups, however, such as the economists or public accountants, commonly take pro-government positions on policy issues. Overall, the sectors operate in the difficult terrain of supporting government programs and serving as a conduit to secure goods and services for their members, while at the same time criticizing the relevant agencies and advocating greater attention to their clients' needs. Part of the dynamic involves the need to maintain loyalty in the ranks, thus preventing defections and countering new groups that might emerge outside the sector to organize interest demands.

In terms of party and government functions, the prevailing

relationship is close cooperation. But there is at least one area of tension. The PRI and the secretariat of interior rank their priorities slightly differently. Basically, the PRI needs more electoral dynamism in order to generate good candidates and activate the party base. The party might be willing to cede more victories to the opposition in this regard. Also, it might serve the party's interests to allow its congressional delegation a bit more freedom of maneuver on legislative matters, since this would fit better their sectorial needs for flexibility. Interior, on the other hand, is more concerned about maintaining order in electoral matters and about enforcing discipline in the legislative branch and in state and local governments throughout the country. (The organizational tension, in turn, may be heightened by the presidential ambitions of both the secretary and party leader.)

With regard to tensions between the PRI-government and society, three areas (of many) are noteworthy. First, it has proven difficult for the party to accommodate itself to the complex and growing middle sectors, especially the intelligentsia, as these apply more stringent standards of competence and democratic practice. Second, the north of the country continues to present a special challenge due to its historical separateness from the center, its higher level of socio-economic development, and its proximity to the U.S., and one hears of cases where the PRI has trouble finding and fielding good candidates for local office. Finally, party activists frequently comment on their



difficulty in attracting and motivating young members, which is of special concern given that over two-thirds of the population is under 25 years of age.

#### Party and System Reform Projects

Confronted with the problems sketched above, two sets of reform projects have evolved since the early 1960s as a strategy to channel emerging demands through legitimate routes. One is the internal reform of the PRI and the other is the promotion of opposition parties. The two tracks are connected, with the notion that greater electoral competition will contribute to the revitalization of the PRI. Although Ruiz Cortines set the stage, both sets of reform efforts have their roots in the Lopez Mateos period (1958-64).

The most significant effort at internal reform was arguably that of PRI president Carlos A. Madrazo in 1965 to introduce primaries as a means of promoting what he called "natural leaders." The experiment lasted less than a year and was defeated by an alliance of governors, sectorial leaders, and cabinet secretaries. The episode teaches several interesting lessons. First, it was clear that Madrazo had ambitions of building a power base of his own in the party, and Diaz Ordaz was simply behaving logically in firing him. Second, the failure of the effort demonstrated the system's rigidity; young reformers could take little comfort about their prospects of rising in the PRI. Third, it showed that reform would come more likely from

other quarters, initially through anomic violence as with the student movement of 1968, then through the bureaucratic apparatus, with new programs and interest representation structures, and later through opposition parties.

Efforts to reform the PRI internally have not completely ceased, however. Rather, there seems to be an interesting rhythm within sexenios of initiatives followed by retreats. Thus, following Madrazo's ouster, the president appointed as party president Lauro Ortega, at that time a symbol of orthodoxy. After a brief tenure by Manuel Sánchez Vite, President Echeverría appointed reformer Jesús Reyes Heróles as party president and ended his term with the orthodox Carlos Sansores Pérez. After replacing Sansores Pérez with Gustavo Carvajal, President López Portillo finished his term with Pedro Ojeda Paullada. Party statutes call for flexibility in tailoring candidate-selection methods to local realities, and there have been recent attempts to dabble with primary-like mechanisms in some recent municipal elections (e.g., State of Mexico in 1984, Morelos in 1985). But the general tendency has been to retain the method of "auscultacion"<sup>2</sup> for governorships and national-level offices, as well as for the more important municipalities within each state.

With regard to system reform, each president takes pride

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<sup>2</sup> Auscultacion is roughly how the doctor listens with the stethoscope. It refers to the effort of the CEN delegate to listen to the various interests in formulating a recommendation to the party about nominations.\_

in advancing the liberal democratic project by introducing changes to promote citizen participation, as with the enfranchisement of women in 1953 and the lowering of the voting age from 21 to 18 in 1969. The reality is the difficulty of approximating liberal democracy in a setting of abiding apathy and skepticism, cultivated in part by the PRI itself. To combat this, the government has promoted opposition party activity in a series of three steps beginning in 1963. At no point did it seem that the reforms were of sufficient scope to challenge the party-government's control, but the reforms of 1977 went far enough to renew interest in opposition politics and to generate unaccustomed pressure on the PRI itself.

The reforms of 1963 and 1973 covered basically two aspects, lowering the requirements to register parties for national elections, and providing an easier way for them to win elected positions of lesser influence, as in the Chamber of Deputies. The 1977 reforms went beyond the previous efforts in promoting the opposition. The principal author of the reform, Jesús Reyes Heróles, had supported the previous efforts first as a national deputy in 1963 and later as president of the PRI in 1973. Reyes Heróles' main concern was to provide effective and legitimate channels of opposition activity to prevent an accumulation of pressure that might explode in protest and return the nation to what he often called, "México bronco" (violent Mexico).

The 1977 reforms provided that:

- a. parties might qualify to run candidates by regis-

tering a minimum number of members in states or electoral districts; alternatively, they might seek provisional registration, and if they received at least 1 1/2% of the vote in the subsequent national election, their registration would be made permanent (unless their vote in the future dropped below the minimum 1 1/2%);

b. the Chamber of Deputies would set aside 100 of 400 seats to opposition parties, to be won in proportional representation contests in various regions (presently 5) throughout the country;

c. opposition parties would receive free access to media, the postal frank, as well as subsidies for party expenses.

While an initial purpose of the reforms was to generate citizen participation through legitimate channels, a subsequent purpose was to stimulate the growth of the Left so that it might reestablish a degree of equilibrium in electoral politics given the more impressive growth in influence of the PAN on the right. It might be argued that the reforms succeeded in increasing participation in elections, as was apparent in higher voter turnouts <sup>in</sup> and 1982. But the Left never really achieved coherence, either as a party or as a coalition of parties, and the prospect of bipartisan competition with the PAN, so condemned as an exotic and foreign notion by the PRI-government leadership, has increased as a threat. The 1977 reforms did have the effect of making elections more interesting on a national scale. They also have had the effect of putting the PRI's electoral monopoly

to the test, especially in the north of the country.

### Looking ahead

The most plausible assumptions upon which to base projections are that the PRI-government elites will act prudently to preserve their own status and that the important changes (if any) will originate outside the party, most likely in the presidency's efforts to devise a workable economic policy. The August 1984 party assembly reiterated the language that the PRI is the party of the majorities and that the party has a historic obligation to keep the nationalist revolutionary line in power. This sort of language was reiterated in Senator Lugo's address to the party's congressional candidates in March 1985, in which he rejected bipartisan democracy as a foreign design and reviewed Mexico's long history of disorder and instability prior to the rule of the PRI.

If the preceding analysis is correct, important changes in party behavior are unlikely for the rest of this sexenio. Dramatic risk-taking might have been possible up to the August 1984 party assembly, but nothing of significance happened. Perhaps yet another chance was the composing of the deputy lists in January-February 1985. But here again, the process was essentially routine, with the sectors, cabinet secretaries, governors, and interest groups negotiating through the party president and the secretary of interior, with appeals ultimately resolved by President De la Madrid. Now with the second half of the sexenio comes the serious business of consolidating

power, implementing priority programs, and managing the difficult succession.

This is not to suggest, however, that no interesting change is underway. The composition of the CEN would indicate that the younger political technocrats have succeeded in colonizing the party and have established a functional coexistence with the more experienced political party veterans. This notion of a transitional mix is supported as well by the qualities of the 7 PRI gubernatorial candidates in 1985, among whom we find 2 technocrats (Sonora and Nuevo Leon), a young party militant (Queretaro), a CTM stalwart (Campeche), a prize-winning mayor (Colima), a veteran party militant (San Luis Potosi), and a seasoned political bureaucrat (Guanajuato). An analysis of the 300 party deputy candidates would probably show a mixture of young political technocrats and young party militants, along with the more experienced sectorial representatives.

In a limited political sense, the PRI-government faces difficult challenges in the immediate future. In October of 1985, municipal elections will be held in the state of Veracruz, arguably the most violence-wracked state in Mexico in recent years. Among the 14 governorships up for election in 1986 figure the problem states of Chihuahua, Durango, Veracruz, Oaxaca, and Sinaloa. Among the 5 governorships up in 1987 are the important and/or difficult states of Coahuila, Guerrero, and Mexico. The last year of the sexenio presents easier sledding with only 4 states up, including such PRI strongholds as Morelos and Tabasco.

Bromidic as it might seem, the short-term test for the relative recovery or decline of the PRI is the quality of its nominees for these governorships. The selection of astute, prudent governors can do much to repair and maintain the orthodox PRI-government arrangements.

Also in a limited political sense, much of the short-term future of the PRI will depend upon the maneuvering for the succession, which will get underway in earnest after the September 1985 state-of-the-union address. To mix metaphors, there will be complicated chess moves, with probable "castlings" as individuals are switched about, and the only one who can see all the cards is the president. Yet in all probability, Senator Lugo Verduzco will enter the cabinet in time to join the finalists for the "sprint." Such a move seems plausible given President De la Madrid's interest in reviving the party, his concern over the criticism of technocracy, and his apparent high regard for Senator Lugo, whose performance as party president has improved markedly since 1982. If Senator Lugo joins the cabinet, especially in a political post such as labor or interior, it is likely that he will contest the succession and will call on his PRI allies to assist him. Such a sequence of moves would enhance the prestige and importance of the party.

Also important for the role of the party during 1985-90 and beyond is the question of macroeconomic policy, more precisely whether President De la Madrid will continue his effort to encourage an opening toward more foreign investment and export-

oriented incentives. If such is the case, one would expect the party's role to be one of legitimating efficiency and "realism." The groups that might be strengthened would include the commercial farmers and assorted business interests in the CNOP. The state would maintain for itself a strong role in planning and economic activity, so that the powerful government unions would not be directly threatened. But such a policy presents a difficult political problem, because it touches on the sensitive area of the role of foreign (especially U.S.) investment in the national economy. The timing of such openings usually means the appearance of clear costs to specific groups (e.g., dislocation of employment) before the benefits to the consuming public (e.g., lower inflation, better quality and prices). Opening also implies the weakening of the rural cooperative sector (thus undercutting the CNC) as private investment flows more freely into agriculture. The CTM, with its bases in smaller industries and its nationalist and statist orientation, poses an even more difficult challenge.

#### Executive Summary

Mexico's official party, the PRI, serves along with the bureaucracy as a subordinate instrument of a strong presidency. Recent difficulties of the party reflect problems in the presidency and the overall system, and solutions are unlikely to originate in the party. Causes for the PRI's decline are its contradictory roles as a hegemonic party of the government and as a contender in democratic electoral politics; also, the PRI was created nearly 50 years ago and encounters problems in accommodating itself to a new social order that it has helped create. The party leadership under President De la Madrid shows some integration of younger technical people with the older party politicians. Much of the political dynamics within and around the PRI are shaped by its centralized, sectorial organization, which has acted to hamper internal reform. Reform of the electoral system



has been subordinated to the preservation of the virtual PRI-government monopoly of offices, but the 1977 reform has gone further than previous efforts. Significant change in party behavior is unlikely for the remainder of this six-year presidency (1982-88), and the near-term future of the party rests on the quality of the 23 governors yet to be chosen and the prospects of the party leader in the presidential succession. The party's role during 1985-90 and beyond also depends on the pace and specifics of the government's economic liberalization program.

#### Abbreviations

CNC - National Farmers Confederation  
 CNOP - National Confederation of Popular Organizations  
 CONACYT - National Council for Science & Technology  
 CONASUPO - National Popular Supply Company  
 CT - Labor Congress  
 CTM - Mexican Workers Confederation  
 Diconsa - CONASUPO's Distributing Company  
 ENA - National School of Administration (France)  
 FSTSE - Federation of Government Employees Unions  
 IEPES - Institute for Social, Political, & Economic Studies  
 IMSS - Mexican Social Security Institute  
 NYU - New York University  
 PAN - National Action Party  
 PRI - Party of the Institutionalized Revolution  
 SECOM - Secretariat of Commerce  
 SEPAFIN - Secretariat of National Properties & Industry  
 SG - Secretariat of Interior  
 SHCP - Secretariat of Finance  
 SNTE - National Teachers Union  
 STPRM - Mexican Petroleum Workers Union  
 SRA - Secretariat of Agrarian Reform  
 UIA - Iberoamerican University  
 UNAM - National Autonomous University of Mexico

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ISSUE #9

"IS THE ROLE OF THE MILITARY CHANGING  
AND  
WHAT ARE THE IMPLICATIONS FOR CIVIL-MILITARY RELATIONS?"

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The Evolution of the Mexican Military and its  
Implications for Civil-Military Relations

CONTENTS

The Evolution of Political Influence.....	2
The Civil-Military Relationship Defined and Extrapolated.....	10
Conclusion: The Significance for Mexico and for Mexican-United States Relations.....	20
Executive Summary.....	25

Change is afoot within the Mexican military establishment and between it and the nation's civilian governing elites. Sparked at least as early as 1968, the evolving civil-military equation advanced during the 1970s. In the 1980s, the pace of military presence quickened as Mexico faced new experiences and challenges, many of them facilitating the political emergence of men in uniform. By 1985, the military's punch in Mexico's polity had assumed new dimensions. Furthermore, indications pointed to more influence during the 1985-1990 lustrum. Conversely, equally convincing indicators argued for the continued superiority of Mexico's civilian authority. In the final analysis, the emerging scenario may produce a change in the degree of military influence, but it is not destined to significantly alter ongoing civil dominance.

This paper describes and analyzes evolving change within the Mexican military and its implications for civil-military relations. It documents the recent historical record and analyzes contemporary trends and events in Mexico. The discussion then shifts to a catalog and analysis of several contending models of Mexico's present civil-military equation, concluding that the military is the subordinate and "guardian" of the civilian-led system, although indications of a more equal, collaborative relationship are emerging in a few decision-making areas. Having defined the characteristics of the unfolding relationship, the paper concludes by examining its significance

for political stability and systemic legitimacy in Mexico, and for Mexican-United States relations.

#### THE EVOLUTION OF POLITICAL INFLUENCE

Although future developments in Mexico portend a resurrection of some military influence, the officer corps has lost the monopoly of power that it exercised in the wake of the Revolution of 1910. The taming of the Mexican military is documented in the literature and wants no longish reiteration. Several points suffice to emphasize the military's declining influence in the nation's political system after 1920. The last serious threat of a military revolt was beaten back by the loyal central army in 1929. Presidents Plutarco Elías Calles and Lázaro Cárdenas further reduced the military's political punch during the 1920s and 1930s through a series of measures combining carrots and sticks. After his election to the presidency in 1940, General Manuel Avila Camacho eliminated the military sector in the official party and disbanded the military bloc in Mexico's legislature. As one study correctly has it, "by 1940, Mexico's once most powerful institution was transformed into a not so potent interest group." The final symbol of the military's decline evolved in 1946 with the election of Miguel Alemán, the nation's first civilian president in the post-revolutionary period. Civilians have ruled since.

To be sure, a more balanced and comprehensive analysis of the military's influence in the Mexican political system obviously demands a number of reservations to that stark picture,

but it captures the essential point. Choosing 1920 and 1970 as points of comparison, the military's influence in Mexico suffered a dramatic decline.

A review of recent events in Mexico suggests that the nation's military is regaining some of its political clout. The military's resurgence in the polity evolved from serious economic problems during the late 1960s leading to sharpened socio-political tensions. It was catalyzed in 1968 and solidified by several initiatives during the 1970s--the most salient being the military's role in antiguerrilla and antidrug campaigns.

The infamous events of 1968 mark the turning point. For the military, Tlatelolco signaled the first massive intervention in the political system since the 1920s and evoked an agonizing reappraisal of its role in internal security and its relationship to civilian decision makers. At about the same time, the internal character of the military's leadership underwent a significant change. When General Hermenegildo Cuenca Díaz assumed the post of Secretary of Defense in 1970, he became the first military man to hold that office who had not joined the army during the violent phase of the Mexican revolution (1910-20). He had a different past than the generation of revolutionary soldiers, including a more formal military education. In relating to the politicians, General Cuenca Díaz assumed a more positive bent, eschewing the marked political subservience that had characterized his immediate predecessors.

As the 1970s advanced, several other initiatives consolidated the influence catalyzed by the events of 1968 and the changing of the guard at the Secretary of Defense. In the 1971 Halcones sequel to Tlatelolco, the government's connivance was exposed and a serious challenge to presidential leadership emerged. One scholar reports that President Echeverría was saved only "when he received the unanimous backing of an emergency meeting of senior army commanders. This turned the tide in his favor," he continues, "in the sort of confrontation that had occurred in the 1920s and the 1930s, but had not been seen in Mexico in over 30 years."

In a rather different context, the Mexican military during the 1970s also gained prestige and received valuable training in antiguerrilla and antidrug campaigns. By mid-decade, the military defeated the insurgents, and achieved an increment to its growing prestige. At about the same time, the Mexican military assumed primary responsibility for the suppression of drug production and trafficking. Though not quite so successful as the antiguerrilla campaign, the military acquitted itself well in the antidrug war and further solidified its growing stature.

Several less important incentives contributed to growing military influence during the 1970s. The military took on a larger role in the collection of political intelligence and the conduct of investigations. The military also pushed for and administered firearms control legislation, beginning in 1971. In



the mid-1970s, finally, the army gained authority over the nation's most important customs posts.

The civilian elites have been increasingly sensitive to the military and ever-ready to nurture its good will. Pay raises have become more frequent and generous, a new military academy constructed, additional honorific medals created, growing presidential praise issued, a national housing fund set up, a new Organic Law of the Army passed, and other rewards and benefits distributed across the board.

In the late 1970s, the civilian elite's increasing indulgence combined with other factors to spark a comprehensive program to modernize the Mexican military. Mexico's short-lived oil wealth implied the means and the end for the initiative. The national and international context cried out for additional martial capability. Mexico's post-war development put in place valuable new infrastructure that needed defending, and the Central American caldron heated to a boil. Mexico's military policymakers justified the modernization program as a response to the northward spread of political subversion. Sociopolitical instability in the southern state of Chiapas invited the military's attention and added another element to the apparent necessity to update and expand the nation's armed forces. As the 1980s advanced, finally, drug production and trafficking burgeoned once again and still another challenge invited military action.

The several influences converged to produce new demands upon the military and to facilitate new departures to increase the military's political influence and to alter the civil-military equation. Mexico's former defense minister explained that Mexico's industrial growth created new "necessities for protection and vigilance," making particular reference to the "vital installations" of Petróleos Mexicanos and the Compañía Federal de Electricidad. "We have to give them security," he noted; "for that reason we need more equipment, more means, and more soldiers."

Military considerations also obtain in Mexico's Central American policy; they converge in the nation's southern state of Chiapas. The troubled scenario in Chiapas suggests a receptive host for the contagion of the revolutionary epidemic advancing from Central America. In the context of this analysis, it also conjures a locus ripe for military influence in policymaking and implementation. The area has always been unsettled and old problems combined with new ones to exacerbate the situation. As the oil boom matured in the area during the 1970s, hundreds of thousands flooded the area in search of jobs. Migrants from Central America are adding their destabilizing and potentially subversive influences. The Guatemalans, particularly, imply troubled interstate relations with Guatemala. One report has 68 armed incursions from Guatemala into Mexico through early 1985.

The Mexican military assumed a major presence in the area. Military garrisons have been beefed up with additional troops. A

new military zone has been created in the state. Chiapas now has two; only two other states contain more than one military zone. General Absalon Castellanos Domínguez assumed the governor's mantle in the state in the elections of 1982. By late 1983, three army generals controlled the state--the governor and the two zone commanders.

The upsurge of drug production and trafficking during 1984-85 completed the scenario designed to facilitate growing military influence in the polity. As the Mexican connection burgeoned, the military responded by upgrading its campaign to stop production and squelch trafficking. An early 1985 press account reported 25,000 Mexican military men engaged in the struggle with additional strength to come.

In that context, the modernization program connoted several initiatives contributing to evolving military potency in the Mexican polity. Most obviously, the military's modernization upgraded its capacity to capture political power should it choose to administer a golpe, but that is highly unlikely. More to the point of this analysis, the modernization program implied a sense of confidence and mission. It also hatched new departures in military education brimming with potential for the military's participation in the polity. Finally, the modernization program produced the rudiments of a national security doctrine with implications for a larger military role in the process of Mexican development.

The point of departure is to understand that the Mexican military is assuming a more vigorous posture than it has for more than a generation. In the now-famous interview granted to Proceso in late 1980, General Felix Galván López, the former secretary of defense, waxed enthusiastic about the military's modernization. General Galván brushed aside apprehension in praising the initiative on the grounds that it "will guarantee the sovereignty and integrity of our territory and all of the interior missions which we [the military] have to complete." Warming to the task at hand, he pressed further in defending the military's modernization by proclaiming that it will make Mexico more "respected." "The strong are more respected than the weak," he concluded. That same cockiness also contributed to the military's floating the idea of one of the own as a presidential candidate at about the same time. The Mexican military is struck with rising expectations and growing ambition.

Initiatives in military education provide a backdrop to those ambitions. Major facilities renovations are in process at the Escuela Superior de Guerra, the military's second-level educational institution. Beyond the updating of brick and mortar, the curriculum has been improved. A new emphasis has evolved to prepare the students against external threats to national security, and war-gaming exercises have been introduced. Even more significantly, the armed forces founded in 1981 the Colegio de Defensa Nacional, a new departure in higher military education analogous to the famous Centro de Altos Estudios

Militares in Peru and Escuela Superior do Guerra in Brazil. The colegio's first class of about twenty army and air force officers was graduated in 1982. In the context of civil-military relations, better prepared military officers contribute to increased military potency.

New trends in national security doctrine in Mexico signal a third concomitant of the military's modernization implying growing military competence in national policymaking. The military is beginning to rethink its role within the Mexican political system, hinting at increased competence for the nation's military establishment. General Galván defined "national security" as "the maintenance of social, economic, and political equilibrium, guaranteed by the armed forces of a nation." The emphasis is on "equilibrium," "tranquility," and "internal order," but Galván connected those concepts to socioeconomic development, with the clear implication that the military is involved in that mission. The point should not be pushed too far, but experience demonstrates that initiatives in the definition of the military's internal mission connote changes in civil-military relations in the overall political system. As military organizations become involved in socioeconomic development, they also increase their policymaking competence. In some instances, of course, the military assumed the direction of the policy process by taking over the reins of government. Brazil and Peru are cases in point derived from recent history in Latin America.

In sum, recent historical and contemporary trends on the Mexican scene contributed to the evolution of the military's competence in the civil-military equation. In the train of the agonizing reappraisal following the events of 1968, the armed forces inched toward a more consequential role in the Mexican polity. The process took on additional speed in the late 1970s when several trends produced a nexus ripe with potential for altering patterns of civil-military relations. In the context of the petroleum boom and the Central American caldron, the nation's civilian elites directed growing resources to the military's modernization. The modernization program brought additional military hardware, but more significantly it also implied a revamped educational system designed to produce more sophisticated officers and a newly framed national security doctrine calculated to define a wider sphere of influence for Mexico's men in uniform. The rebirth of the Mexican drug connection and the economic crisis of 1982 added their weight to sharpen the scenario leading to worried speculation anent a golpe.

That speculation reflected ~~irrational~~ panic, but the larger question continued to be germane. The Mexican military's influence has increased. The weight of that influence and its significance for the present lustrum (and beyond) needs to be systematically analyzed.

#### THE CIVIL-MILITARY RELATIONSHIP DEFINED AND EXTRAPOLATED

The spectrum of civil-military relations in twentieth-century Mexico has ranged from total military supremacy from

1910 to 1920, to almost complete military submission to civilian authority from the fifties through the late sixties. From the late 1960s, the tide turned toward more military influence, and that trend will continue for the foreseeable future. Given ongoing transition, the exact relationship is difficult to specify at any one moment, but definitional categories assist in understanding the nuances of the relationship.

One end of the definitional continuum sees a nearly apolitical Mexican military as one of many interest groups petitioning civilian decision makers for favorable treatment. The other extreme conjures the nation's armed forces' seizing all political power and establishing a military dictatorship. The middle of the definitional spectrum posits several other points characterizing the armed forces as the "guardian" of a political system ruled by civilian superiors; or as a "collaborator" of the civilian elites; or as a "moderator" of the system charged with setting out parameters for civilian and/or military governance.

The idea of a military coup must be rejected forthwith. Despite the rumor mongers of Mexico City, nothing suggests that Mexico's military elites have offered any serious consideration to administering a military coup for more than forty years. Equally importantly, the evolving political punch of Mexico's military over the last 20 years or so does not suggest a golpe in the foreseeable future, barring extreme and almost unimaginable circumstances.

The interest group model of civil-military relations on the

other end of the definitional continuum is also ill conceived. Even during the perigee of the cycle of the Mexican military's political influence, the armed forces carried out "residual" political roles. Those political activities implied more than traditionally defined interest group functions like lobbying for corporate integrity, or better arms, or higher pay. After 1968, furthermore, the military's presence in politics continued to increase and the interest group paradigm became manifestly unsuitable for understanding civil-military relations. By that time and continuing to the present, the "guardian" role more accurately described the relationship.

As guardian of the Mexican political system and the nation's civilian elites, the military maintains political order. On a day-to-day basis, the Mexican armed forces guard against destabilizing threats hatched by rebellious peasants, recalcitrant sindicatos, upstart students, liberalizing middle class reformers, and/or the narcotics mafia. While the military's presence in the South hints at novel extrapolations encompassing external defense, for example, it is basically centered on responding to domestic subversion; not to fighting off invading Guatemalan forces. The same focus explains other initiatives in the military's modernization program. The extension and deepening of the military's civic action program and the expansion of its partida patrolling contribute to more effective guardianship. Better intelligence gathering centers almost entirely upon domestic threats, with only tangential



forays into foreign intelligence. In the last several years, the most publicized military interventions put to rout a leftist challenge to traditional PRIista control of Juchitán in the South and a rightist threat to the same political establishment in Piedras Negras in the North. Less dramatically, but equally cogently, the military's repeated, public support of President López Portillo's 1982 bank nationalization affirmed a policy that many military men may have privately opposed. In a somewhat different way, the Mexican military's efforts in combating the drug lords protect the ongoing system from a mafia threat that may be every bit as serious as conventional political challenges from ideologically inclined parties or movements.

All of these indicators put the lie to the doomsayers and uptight politicians predicting a military golpe. In 1985, the Mexican armed forces are integrated into the fabric of Mexican stability. They continue to serve rather than threaten the system; they are best categorized as assisting the civilian elites in guarding against significant change.

But that description of civil-military relations in Mexico needs an important addition to completely capture the present equation and its movement through the 1985-1990 lustrum. The present situation features the military as guardian of the civilian elites, but new departures in collaboration are in train. The collaborative relationship is marked by relative equality between civil and military elites in broadly conceived policymaking in some realms, although the partnership does not

apply across the board. The civilian elites continue to dominate; the military's collaboration is limited to a few areas.

The military's attitudinal change bears witness to the trend; men in uniform are less subservient than in times past. They are better equipped and rather more educated in the ways of war and the ways of the world. They are a bit more autonomous. As the 1968 debacle waxed clearer and the "Mexican Miracle" floundered, the sheen of civilian infallibility corroded, emboldening a questioning attitude. In the process the Secretary of Defense gained new prominence in the cabinet. General Galván, for example, was one of the few who had prior knowledge of the 1982 nationalization of the nation's banking system.

The emerging collaborative relationship is best exemplified by internal security policy, by some elements of foreign policy, and by the antidrug campaign. The Mexican armed forces always contributed significantly to internal security strategy, but the contemporary threat in the South evoked a magnified role for the military as men in uniform participated in both the formulation and the implementation and administration of the southern strategy. A similar trend is afoot in the foreign policy area. Foreign policy always counts a strong dose of military influence, particularly as it is tied to national security policy. As military components figure in the foreign policy matrix, so does the influence of the military grow. Mexico's move to a more ambitious foreign policy automatically signals increased influence for the military establishment.

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MEXICAN TRENDS: THE NEXT FIVE YEARS(U) DEPARTMENT OF  
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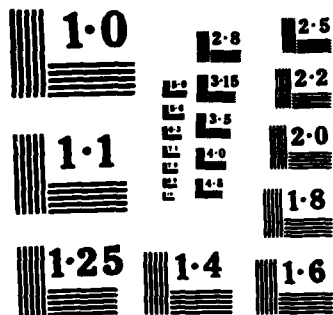
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NATIONAL BUREAU OF STANDARDS  
MICROCOPY RESOLUTION TEST CHART

The Central American nexus obviously crystallizes the point. Commentaries on the contemporary scene attest to military influence. Two Mexican scholars note that "a growing role of the army has been observed recently at the ideological level as well as the operational level." Others warn of the nefarious implications of "the increasingly important role" of the military and of the fear that the continuation of the Central American caldron will "shift decision-making power from civilian to military elites."

On the domestic scene, the scenario is less certain, but two areas suggest some degree of military collaboration. The Mexican military is certainly an equal partner in the antidrug campaign and may well be exercising more punch than the civilian authorities. In addition to their contribution to policy formation, they are on the ground as the antidrug campaign continues. Mexico's armed forces may also be consequential in President de la Madrid's "moral renovation" program, but the point is wrought by informed speculation more than sound evidence or hard data.

While those policymaking foci are few in number, it is important to emphasize that they are amongst the nation's top priorities. Military influence in policymaking in those areas, ergo, implies a fairly meaningful military presence in contemporary Mexico. It lends credence to positing an element of collaborative partnership in Mexico's present-day civil-military relations.

With that significant conclusion noted, two others need discussion to round out the analysis. In the first instance, evolving trends may well foretell even more military influence in the future, producing a new relationship characterized by Mexico's armed forces assuming the role of "moderator" in the nation's political system. Second, it is imperative to reiterate that neither present trends nor future extrapolations can be construed to challenge the essential fact of continued civilian supremacy for the present lustrum.

A hint or so of the moderator posture pockmarked the recent history of civilian-military relations. In the 1968 crisis, the military moved to neutralize serious opposition to the system, perhaps on its own initiative without the express dictate or consent of the titular civilian leadership. Military intervention in the Halcones crisis of 1971 also offers an inference of the military's arbitrating the system as does the transition from President Echeverría to López Portillo in 1976. It may be true that the armed forces supported Echeverría's confiscation of land in Sonora, but in the same process denied possible ambitious of continuismo by mediating the passing of the presidential sash from Echeverría to his successor. A shadow of that same mediating (moderating?) role also appears to have informed López Portillo's bank nationalization in September, 1982 and President de la Madrid's assumption of power in December, 1982. Those several episodes may be depicted as adumbrating the Mexican military as moderator

in the future, but certainly not in the present lustrum, and probably not in the present century.

Neither the present nor the next five years conjure the conditions related to a boundary change beyond the present guardian-cum-collaborator role for the Mexican military. Conditions endogenous to the military are certainly evolving, but not approaching the threshold of significant change. The domestic social, economic, and political universe implies influences upon the military, but much of the worst is past. The international context threatens less in 1985 than earlier.

The internal characteristics reigning in the Mexican military in 1985 promise continued stability through 1990. Whatever the ultimate meaning of military professionalization anywhere, the Mexican variant is embryonic, without definitive form or meaning for the next five years. Mexico's military men have assumed a new, positive, attitude, but it is by no means threatening; indeed, it is a bit less assertive than in the previous sexenio. In the same context, Rod Camp posits useful evidence denying substantial politicization of the officer corps, thereby obviating another endogenous catalyst for military intervention. Ongoing hierarchical control and the Mexican military's strict discipline also buttresses civilian supremacy. From the rank of lieutenant colonel, the promotion system is monitored by both civilian and military elites. Throughout, firm discipline works to discourage dissident behavior.

Furthermore, both cooptation and satisfaction within the

ranks counters incipient potential for marked change. The Mexican military is well treated. The modernization program combines with opportunities for upward social mobility to suggest an armed forces content with its lot. Without necessarily agreeing with Alvaro Obregón's cynical remark that "I know of no general who can withstand a broadside of 50,000 pesos," the Mexican political system's genius for effective cooptation works to discourage ambitions to challenge the essentials of the present guardian-cum-collaborator relationship.

Similar conclusions obtain in an analysis of potential political forces for change exogenous to the military establishment. The spectre of the middle class coup has no validity in Mexico for the foreseeable future. Some have speculated anent a possible alliance between the conservative Partido de Acción Nacional (PAN) and the conservative military, but hard data show precious little contact between the two forces. On the other side of the political spectrum, the military has no love for the Mexican left. Even more importantly, the Mexican left is fragmented and disorganized; it offers no threat to the contemporary system and cannot be depicted as triggering a military move to save the republic a la Brazil in 1964, or Chile or Uruguay in 1973. Elite solidarity between civilian and military sectors, in short, is alive and well and not about to be disrupted by the opposition's eliciting military intervention.

Nor does the socioeconomic scene conjure conditions



conducive to radical change in the present system. The nation has pulled back from the brink of economic disaster. Mexico's leaders correctly fret about the misery of the Mexican people, but the social fabric has not split asunder, as some predicted during the depth of the economic debacle in 1982. Indeed, in 1985, the situation is much better (though still profoundly troubling by absolute standards). In a larger sense, moreover, societal values contribute to the present civil-military relationship. Survey data show that all groups in Mexican society support the traditional role of the Mexican military as a nonpolitical force.

Beyond the borders, finally, the context offers little encouragement to a putative redefinition of present civil-military relations. The Latin American region is enjoying a period of "redemocratization" as military men almost everywhere return to their barracks. Civilian supremacy is the order of the day throughout the continent. Closer to home, the Central American caldron is a trifle less threatening. On Mexico's southern border, Guatemala reflects encouraging signs of returning to civilian rule. A modus vivendi is evolving between the two nations. To the north, United States' policy is calculated to resolve the economic crisis in Mexico. In the process, U.S. policy contributes to the reduction of sociopolitical tension, thereby obviating a context conducive to growing military dominion. United States policymakers have thus far done nothing to encourage the military's authority.

In sum, the present civil-military relationship in Mexico features the military as guardian of the civilian elites and the ongoing system, with some role as a policymaking collaborator in limited areas. Movement is afoot, but not destined to produce a boundary change within the present lustrum. The implications for Mexican politics are fairly obvious. Implications for U.S.-Mexican relations should be equally clear.

CONCLUSION: THE SIGNIFICANCE FOR MEXICO AND FOR  
MEXICAN-UNITED STATES RELATIONS

More military men are walking the corridors of power in Mexico and their voices have assumed added resonance, but their expanded role is being accommodated within the existing norms of Mexico's political stability. The military's influence has not threatened the legitimacy of the system. Even if the present pace of change continues, it will not significantly alter the system during the next five years so long as exogenous influences do not impose intolerable strains upon Mexico. During the present lustrum, United States policymakers will enjoy sufficient time to adjust to the evolving realities of the Mexican situation. They should be sensitive to the value of the continuing dominance of Mexico's civilian elites and fashion policies and programs to maintain the essentials of the system, while encouraging moves to strengthen the fiber of incipient trends in Mexico to balance emerging military influence and contribute to ongoing stability.

The military's role in the maintenance of Mexico's political stability counts several nuances. On the one hand, the armed

forces can be counted upon to guard the system against forces committed to systemic change. The meaning of Juchitán and Piedras Negras is crystal clear. In a rather different way, the Mexican military's roles in Chiapas and in the antidrug campaign teach the same lesson. Mexico's military elites continue to support the system and stand ready to suppress significant challenges to it.

Mexico's military guardians show no signs of coveting overall political leadership. Indeed, changes in the military's political influence have reflected and responded to broadly conceived evolution in the system. The armed forces have not sought out more dominion, but only accepted it as the civilian elites have been compelled to seek assistance. The Mexican military has been fully cognizant of its own inferiority compared with its civilian counterparts. While reforms in Mexico's military education may well imply more equality in years to come, the educational upgrading of men in uniform is yet embryonic. The military elites are sensitive to their inferiority. Unlike their Brazilian and Peruvian counterparts, the Mexican armed forces are quite incapable of managing the nation's sophisticated economic and political system.

From still a third and rather paradoxical perspective, the Mexican military may also contribute to stability by encouraging the civilian elites to come to terms with some degree of measured, political change. While obviously prepared to defend the system, the Mexican military may not be ready to experience

another Tlataloco in the name of preserving present political arrangements. Mexico's civilian elites sense that the military cannot be pushed into the horror of slaughtering large numbers of its countrymen. To avoid that ultimate showdown with the nation's armed forces, Mexico's civilian decision makers are well advised to put their political house in order. The 1977 reform and subsequent moves to modernize the PRI respond to that scenario, although much more must be done if the civilian elites want to insure against a profoundly serious confrontation that may jeopardize the present civil-military relationship.

The legitimacy of Mexico's political system is, of course, also intertwined with the question of the military's meaning for stability. In addition to the military's sensitivity to its own shortcomings, the nation's guardians must also be cognizant of the norms that define legitimate activity within the system. A move to dramatically alter the present civil-military equation would certainly jeopardize deeply ingrained values and might well bring on the horror of domestic upheaval to counter a military golpe. Just as they shirk from suppressing their countrymen in support of the present system, Mexico's men in uniform must also turn from the specter of widespread violence to defend their own putative ambitions.

None of this analysis, to be sure, denies the probability of ongoing evolution in the military's political punch. More specifically, Mexico's men in uniform promise to assume more weight in the selection of the nation's next president in 1987.

A military man will not be selected, but the military's expanded political role should be reflected in the Secretary of Defense having measurable input as President de la Madrid selects his successor. The President will not choose a candidate unacceptable to Mexico's armed forces.

The evolution of civil-military relations in Mexico should not affect Mexican-United States relations for the present, but U.S. policymakers need to be sensitive to the longer range implications of evolving military influence. Looking to the antidrug campaign and to Mexico's more active foreign policy in the Caribbean Basin, military influence may count some advantages for the United States, but increasing military clout is a double-edged sword. On balance, it connotes more negative than positive features. U.S. policy should discourage a change in civil-military relations in Mexico. The near future to 1990 offers sufficient breathing space to fashion and implement policies.

Major Stephen J. Wager skillfully argues one perspective in praising Mexico's emerging activism in the Caribbean Basin and noting the military's contribution to Mexican diplomacy. He quite correctly depicts a mutuality of interests between Mexico and the United States in that both seek reduced violence and increased political stability in the volatile region. He concludes that "a modern military establishment in Mexico may contribute substantially to the achievement of a much coveted U.S. goal in Central America, namely, peace and stability." Wager does not focus upon the military's marked contribution to

the antidrug campaign in Mexico, but that activity also tunes with United States' interests.

While Wager's argument contains merit and any help in erasing the scourge of drugs is to be welcomed, the concomitant rise of Mexican military power is fraught with deleterious consequences. Despite the rhetoric of Mexican domestic politics, the time has long since passed when the United States could dictate Mexican policy, but several strategies can be pursued. In the first instance, economic prosperity maintains Mexican civilian supremacy and the nation's stability. The U.S. has been forthcoming in facilitating Mexico's economic recovery and it should continue to do so. Amongst the many positive connotations of that policy is the creation of a milieu that will counter the emergence of exaggerated military influence in the polity. A second element of a propitious context for Mexico's civilian elites centers more specifically on the polity. The incipient flexibility of the system anticipated in the 1977 reform needs to be nurtured. Mexico's civilian leaders must avoid frequent and indiscriminate calls upon the military to maintain their position. Increasing flexibility in the system will reduce the probability of that precarious practice. The PRI need not win every election and control every municipio and state to maintain its position.

The final element of a U.S. strategy to discourage a boundary change in Mexico's civil-military relations should focus upon bilateral military relations. On the whole, the Mexican

military has been fastidious in maintaining relative independence from the U.S., but the military dimension exists in Mexican-U.S. relations, and it is becoming a trifle more important. Weapons sales and military training have increased. Without exaggerating the import of bilateral military interaction, it does offer an avenue for encouraging the Mexican armed forces to embrace policies and programs to strengthen Mexico's stability through appropriate measures.

The present 1985-1990 lustrum presents an opportunity for U.S. policymakers to encourage prosperity and maintain civilian supremacy in the Mexican system. The next five years offer sufficient time to make known to all forces in Mexico U.S. opposition to military governance before the U.S. is faced with a fait accompli brimming with nefarious consequences for both Mexico and Mexican-United States relations.

#### EXECUTIVE SUMMARY

Change is afoot within the Mexican military establishment and between it and the nation's civilian governing elites. Sparked as early as 1968, the evolving civil-military equation advanced during the 1970s. In the 1980s the pace of military presence quickened as Mexico faced new experiences and challenges, many of them facilitating the political emergence of men in uniform. By 1985, the military's punch in Mexico's polity had assumed new dimensions. Indications pointed to more influence during the 1985-1990 lustrum. Conversely, equally

convincing indicators argued for the continued superiority of Mexico's civilian authority. In the final analysis, the emerging scenario may produce a change in the degree of military influence, but it is not destined to significantly alter ongoing civilian dominance.

A review of recent events in Mexico suggests that the military is increasing its political clout. The infamous showdown at Tlatelolco signaled the first massive intervention in the political system since the 1920s. At about the same time, the internal character of the military underwent significant change. As the 1970s advanced, several other initiatives consolidated the military's growing authority. During the crisis surrounding the 1971 Halcones scandal, speculation has it that the armed forces stepped in to save the President from internal challenges. The military during the 1970s also gained prestige and received valuable training in antiguerrilla and antidrug campaigns. The armed forces additionally took a larger role in political intelligence and firearms control. During that period, the civilian elites became increasingly sensitive to the military and ever ready to nurture its good will.

In the late 1970s the civilian elite's indulgence combined with other factors to spark a program to modernize the Mexican military. Mexico's short-lived oil wealth supplied the means. The national and international context cried out for additional martial capability. Mexico's development implied new infrastructure that needed defending, and the Central American



caldron heated to a boil. Sociopolitical instability in Chiapas evoked the military's attention, as did the resumption of drug production and trafficking in Mexico.

All of that has produced a new civil-military relationship in Mexico. Given ongoing transition, the exact relationship is difficult to specify at any moment, but definitional categories help. One end of the definitional continuum sees a nearly apolitical Mexican military operating as an interest group. The other extreme conjures the armed forces' seizing power and establishing a dictatorship. The middle of the definitional spectrum posits several other points characterizing the armed forces as "guardian," or as "collaborator," or as "moderator" of the political system.

The idea of a military golpe must be rejected forthwith. The interest group model of civil-military relations is equally ill-conceived. Even during the perigee of the cycle of the Mexican military's political influence the nation's armed forces carried out "residual" political roles. In its role as guardian of the system and of the nation's civilian elites, the military maintains political order. On a day-to-day basis, the Mexican armed forces guard against destabilizing threats hatched by rebellious peasants, recalcitrant sindicatos, upstart students, liberalizing middle class reformers, and/or the narcotics mafia.

The present situation favors the military as guardian of the civilian elites, but new departures in collaboration are in train. The collaborative relationship is marked by relative

equality between the civil and military elites in broadly conceived policymaking in some realms, although the partnership does not apply across the board. The emerging collaborative relationship is best exemplified by internal security policy, by some elements of foreign policy, and by the antidrug campaign. The Central American nexus crystallizes the military as collaborator in foreign policy.

That conclusion is important, but others need discussion to round out the analysis. In the first instance, evolving trends may well foretell even more military influence in the future, producing a new relationship characterized by Mexico's armed forces assuming the role of moderator of the nation's political system. Second, it is imperative to reiterate that neither present trends nor future extrapolations can be construed to challenge the essential fact of continued civilian supremacy for the present lustrum.

Neither the present nor the next five years conjure the conditions related to a boundary change beyond the present guardian-cum-collaborator role of the Mexican military. Conditions endogenous to the military are not approaching the threshold of significant change. The domestic scene implies some pressure upon the armed forces, but much of the worst is past. The international context is less threatening than earlier.

The internal characteristics reigning in the Mexican military in 1985 promise continued stability through 1990. Whatever the ultimate meaning of military professionalism

anywhere, the Mexican variant is embryonic, without definitive form or meaning for the next five years. In the same vein, the newly positive attitude of the armed forces is less assertive than in previous sexenio. Good evidence denies politicization of the officer corps. Ongoing hierarchical control and strict discipline buttress civilian supremacy. Cooptation and satisfaction within the ranks discourages dissident behavior and counters incipient potential for marked change.

Similar conclusions obtain in an analysis of potential political forces for change exogenous to the military establishment. The spectre of the middle class coup has no validity in Mexico for the foreseeable future. The conservative Partido de Accion Nacional (PAN) and the military elites have precious little contact. The Mexican left is fragmented and disorganized; it offers no threat to the contemporary system and cannot be depicted as a trigger for a move to save the republic a la Brazil in 1964 or Chile in 1973.

Nor does the socioeconomic scene present conditions conducive to radical change in the present system. The nation's economy has pulled back from the brink of economic disaster. Mexico's leaders correctly fret about the misery of the Mexican people, but the social fabric has not split asunder, as some predicted. Indeed, in 1985, the situation is better (though still profoundly troubling by absolute standards). Beyond the border, the context offers little encouragement to a putative redefinition of military relations. Latin America is in a period

of "redemocratization;" the Central American caldron is a bit less volatile; U.S. policy encourages economic recovery in Mexico.

In sum, the contemporary civil-military relationship in Mexico features the military as guardian of the civilian elites and the ongoing system, with some role as policymaking collaborator in limited areas. Movement is afoot, but not destined to produce a boundary change within the 1985-90 lustrum. For the present, the U.S. enjoys sufficient time to fashion policies to reduce the ultimate threat of military governance.

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ISSUE #10

"WHAT ARE THE POTENTIAL STRENGTHS OF MEXICO'S  
POLITICAL OPPOSITION AND WHAT WILL IT MEAN TO PRI?"

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## Introduction

Since the mid-1970s the formula for Mexican politics has taken on some new ingredients. Among the most important of these has been the expansion of opposition political parties. This essay analyzes significant background characteristics found among Mexico's legal opposition leadership, examines national electoral trends among opposition parties since 1982, suggests differences between mass support for and leadership of opposition groups, and offers some speculations about the strengths of the opposition in relation to PRI over the next five years. Specifically, this analysis suggests important trends taking place within the Right (PAN and PDM), the Left (PPS, PST, PCM, PSUM, PRT) and the establishment (PRI) leaders. Moreover, I will suggest the significance of these changing trends in the larger context of the structural changes taking place in the electoral process and the political system as a whole. Finally, I will speculate about the possible impact differing leadership characteristics and voting trends may have on Mexico's future political stability.

Mexican opposition takes on added importance because of the changing nature of the political system since 1977. Since 1968, Mexico's political system has undergone a severe crises of legitimacy. As economic problems have become increasingly serious, political pressures have become difficult to contain. During the last two decades Mexico's leadership tinkered with the electoral process as a way of encouraging political opposition and legitimizing their own rule. Their adjustments to the electoral process came about because some establishment leaders believe the time has arrived for a

more pluralistic system and others cynically used the reforms to perpetuate their own vested interests. Regardless of the reasons for the electoral reforms, they have altered the rules of the political game.

The establishment has opened up electoral competition in order to channel opposition into the least offensive and uninfluential policy arenas. At present, opposition representatives at the national level have only achieved positions in the lower house of the legislative branch, the Chamber of Deputies. In the Mexican polity, the legislative branch exerts very little influence since constitutionally, and in practice, the country is dominated by a centralized, presidential system. Thus, access of political opposition to significant decision making posts at the federal level is non-existent. Nevertheless, organized political opposition plays an important role.

Mexican opposition parties need to be examined and understood for several reasons. In the first place, the government introduced electoral reforms in 1977 which automatically expanded opposition representation in the Chamber of Deputies. Beginning with the 1979-82 legislature, the Chamber of Deputies contained 400 seats. Three hundred of these seats are based on districts, similar to the United States system, while one hundred are confined to minority parties only, distributed on the basis of a complex proportional voting system. Therefore, 25 percent of the seats are automatically given to opposition parties, plus whatever other seats they can win in the 300 majority districts.

Establishment leaders expanded opposition representation to legitimate their own political control, but they have legitimated an



opposition role too. Opposition parties controlled only 26% and 25% of the seats in the last two legislatures respectively, so their influence within the Chamber of Deputies is limited. But, by expanding and legitimating their role, the government provided them with an official forum from which they can express their opinions.

A second reason why opposition parties take on added significance since 1977 is that the government increased the heterogeneity of groups having a legitimate political voice. In particular, the Left has been given a more significant opportunity to express itself. It is ironic that the government has taken the initiative to legitimate dissent in Mexico when a tendency exists among some working class populations to not allow government critics to seek public office. A selective study of industrial employees from the North and West demonstrated that 52% disapproved of such critics seeking public office, in contrast to only 26% who approved.

The diversity of political party opposition comes at a time when other interest groups are exerting increased and unpredictable influence. For example, business interest groups are recognizing the need to become politicized, and are using public and political channels to express their views. Thus, the diversity and vociferousness of public criticism confronts a political system already facing pressures from other sources.

A third reason why opposition parties must be examined is that the role of the Chamber of Deputies itself has undergone subtle but significant alterations. President de la Madrid has encouraged a precedent begun by his predecessor of requiring cabinet officers to defend their programs before this legislative body. These sessions are given constant coverage in the press. Because opposition party

deputies participate in the questioning, their views receive far more attention than in the past in the national media. Moreover, the Chamber of Deputies' real role is one of contact and mediation with the masses. With political technocrats, who have few mass brokerage skills, dominating establishment leadership, deputies who have grass-roots contacts and experiences, whether they are from the opposition or the official party, will be in greater demand.

Each of the changes described above legitimizes, institutionalizes, and expands the role of opposition parties. Surveys demonstrate that many Mexicans from all occupational backgrounds identify with the ideological positions of these parties. Even among appointive public officials, only 77% sympathized with the PRI. Within the general population, 55% say they identify with the PRI, 26% expressed no feelings towards any political party, and 19% sympathize with opposition parties. Once political organizations have legitimacy, and their role becomes regularized, it is difficult to wipe out the systemic alterations responsible for the changes. Furthermore, because one-fifth of the population has come to identify with these parties, and another fifth to provide a pool for potential sympathizers in the immediate future, the government would find it politically difficult, if not impossible, to retract the role organized opposition presently plays.

#### Representativeness of the Opposition

Two of the most important political trends occurring in Mexico since the 1910 Revolution is the increasing centralization of power in the capital city and the rapidity of urbanization. Mexican political leadership reflects these two trends, as have presidents

themselves. But as Mexico's leadership moves away from rural backgrounds (two-thirds from 1935-1984 are from urban birthplaces), they have done so in numbers disproportionate to the total population, which even in 1940 was only 35% urban. Interestingly, opposition leaders share a similar urban bias. Leaders from leftist parties come in numbers slightly more urban (70%) than their establishment counterparts (66%). Actually, they are less urban proportionately since as a group they are much younger than establishment political leaders. Among those leaders born since 1930, 75% of the Left, 89% of the Right and 84% of the establishment politicians came from urban backgrounds. In the case of the Right's leaders, however, their urban backgrounds for the entire period can be described as extreme, since 85% of them were born in urban locales.

Most Mexican politicians, establishment and opposition leaders alike, are from urban backgrounds because they come from families with higher levels of income, they have access to the education necessary to a successful political career, they experience social contacts crucial to political recruitment, and they are politicized at an early age. Yet, on a mass level, an interesting paradox exists in the Mexican political system. Whereas established political leadership increasingly comes from urban backgrounds, its electoral support is strongest in rural areas. On the other hand, those areas benefitting most from governmental policies, urban centers, especially Mexico City, are the source of greatest opposition to government candidates.

Discrepancies between leadership backgrounds and sources of support are likely to have important future consequences for Mexico.

For the most part, opposition strength at present is concentrated in major urban areas, especially Mexico City and its suburbs in the state of Mexico, Guadalajara, Leon, Tijuana, Ensenada, and Ciudad Juarez. It can be argued, therefore, that both the Left and the Right's leadership is much more representative than PRI of their national constituencies. Furthermore, all three groups are competing most strongly in the same districts. Long-range demographic trends in Mexico point towards an even larger urban population, and opposition parties are battling each other and PRI head on for the same votes.

Those districts potentially providing the greatest opportunities to opposition groups, that is with rural populations, are neglected. In particular, the Right is limiting itself, in its own leadership, to those individuals who share urban backgrounds and experiences. The traditional occupational group giving the lowest support to the Right, especially the National Action Party, its oldest and largest organization, is small farmers.

Establishment leadership in Mexico has reason to be complacent about rural areas. Peasants and small farmers have benefitted least from government policies, and yet passively give the strongest support to PRI candidates. For example, PRI deputies in 1985 received 91% of the votes in Quintana Roo, 90% in Chiapas, 94% in Campeche and 83% in Colima, all rural states. But as tensions increase within the political system, these neglected constituencies will become increasingly vociferous in voicing their complaints. Few Mexican government officials today have any personal experience or contact with rural populations. Personal sensitivity to and contact with rural people may become a valuable asset to future leaders. For the next five years, the government is safe from opposition parties

stealing peasant leadership from them. However, PRI may not be able to prevent traditionally coopted rural groups from becoming independent.

A notable trend among Mexico's establishment and right-wing politicians is the dominance of Mexico City in their backgrounds. The rapidity of Mexico City's growth does not account for the disproportionate number of leaders born in the capital. One explanation for the presence of the Federal District in the birthplaces of establishment and right-wing leadership is that many are from political families who came to Mexico City to hold governmental posts in an earlier era. Political connections are critical to building a successful career, and second and third generation politicians have a distinct advantage in their level of contacts. In the case of the Left, however, a different explanation is necessary. Nearly two-thirds of their leaders were born after 1930, and since their opportunities to participate are recent, similar generational antecedents do not apply. Instead, the Left traditionally began its activities in Mexico City, where it has operated more freely than in other regions. Natives of Mexico City, through their union contacts and through major institutions of higher learning have been more likely to associate with peers affiliated with leftist parties than have natives of the provinces. Also, a small number of leaders are the children of Spanish immigrants, many of whom had to flee Spain in the 1930s because of leftist sympathies.

The West and the North are strongly represented in the leadership backgrounds of both the Left and the Right. National voting trends reveal the strength of the Right in both regions. For example, PAN, which obtained 18% of the votes cast for federal deputies in 1982,

90% of the total votes going to the Right, did much better in the following states: Jalisco (27%), the major state from the West, and Baja California (34%), Coahuila (29%), Chihuahua (30%), Sonora (32%) and Nuevo Leon (26%), all from the North. On the local level, PAN has done well in these states and regions, having obtained victories in mayoralty elections of several major cities.

There is a relationship between the vote-getting ability of PAN and the regional background of its leadership because the party is strong locally, serving as a recruiting agent among natives from those regions. Deputyships are the only national government positions opposition leaders presently hold. The Right's strength in the West can be explained by the fact that they are well-represented in the second largest city in Mexico, Guadalajara, located in Jalisco. Traditionally conservative, Guadalajara is a Catholic stronghold, and has produced many future political leaders of the political Right.

The Left has done well in the West for different reasons. In the West, it obtained its highest national vote in the state of Nayarit, historically a stronghold of the Popular Socialist Party (PPS) founded in 1947 by Vicente Lombardo Toledano, leading establishment labor leader and intellectual. Two brothers, Julian and Alejandro Gascon Mercado, children of peasants, dominated political life in the state during the 1970s. Both were members of the PPS, and in 1964 Julian was elected governor of the state on a joint ticket with PRI. Alejandro, the more radical of the two, founded his own splinter movement and ran for governor against the PRI candidate in 1976. According to critics, the PRI candidate was declared the winner in what was a fraudulent election. Thus, a strong core of support remains for former PPS leaders who have since become members of the

newer leftist parties.

Other than historical accident or local circumstance, the most important reason why the northern and western regions are well represented in the backgrounds of opposition leaders is their location at the Mexican periphery and/or their close proximity to the United States. A recent study, based on six industrial cities in the North and Guadalajara in the West, concluded that these Mexicans came down on the side of pro-democratic values. Studies by the International Communication Agency clearly indicate sizeable differences in values among middle-class groups residing in the northern cities, in Guadalajara, and in Mexico City. In the North, proximity to the United States influences the political values of border residents, who tend to encourage greater political participation in emulation of their Northern neighbor.

A notable deficiency in the background of opposition leaders from the Right exists. Whereas their leadership over-represents three of seven regions (Federal District, North and West), they are sorely underrepresented in the South and Gulf regions, containing many of Mexico's least industrialized, but highly populated states. Again, the Right, and particularly PAN is deficient in leaders from rural backgrounds, but especially from these two regions, which traditionally, with the exception of Yucatan, give overwhelming support to the PRI. The Right will continued to be limited in its appeal as a national party through the 1990s, until it can establish its credentials in the rural areas, especially in these important regions.

In the introduction, I argued that one of the consequences of the 1977 electoral reforms has been to increase the heterogeneity of

politically legitimate groups. One of the most important differences between the Left on one hand, and the Right and the establishment on the other, is family background. In the first place, Mexico's political Right has much closer family ties to establishment political elites than does the Left. During the last half century, 27% of the establishment leadership has been closely related to others who have held important political office, suggesting the importance of political families in Mexico. In the case of opposition leaders from the Right, 15% of their numbers have also had close relatives in political office.

The Left cannot claim family credentials similar to the Right or the establishment. Only 5% of the leftist leadership is known to have strong family ties to the government or other political leaders. This fact not only distinguishes them from the other two groups, but suggests the newness of its leadership to the political scene. An important explanation for this separation is the extreme difference in the socio-economic backgrounds of their parents. Among establishment leaders, 62% come from middle and upper-class families. The figures for the Right, not surprisingly, are higher, with 89% coming from parents with similar class backgrounds. Among leftist leaders, only a paltry 17% could claim such an upbringing. Younger leaders among all three groups exaggerate these differences, with the 81% of the establishment, 100% of the Right and only 25% of the Left sharing this class background. Therefore, the social contacts leading to kinship and career ties are missing between the Left and government leaders.

For the first time in years, the government has implemented a structural change through the 1977 Electoral Reform Law that



significantly influences the Mexican recruitment process. In the last several decades, studies have shown a narrowing in the funnel through which individuals must pass to arrive at the top of the political heap. The impact of recognizing the Left has been to widen slightly that recruitment funnel, enough so that some individuals who do not share all of the characteristics of the established leadership can participate politically. Because the Left does not have family vested interests stemming from previous kinship ties to the regime, it is likely to be the freer and more unpredictable of the opposition factions.

For the conservative opposition, the nature of the ancestry is different. Only one individual, Emilio Madero Belden, is known to have Revolutionary credentials in his family background, but 7% of the Right's leaders, or twice as many as establishment politicians, had ties to the Porfirian families. Although not a large percentage, this figure suggests the degree to which many prominent families in the 19th century survived and enhanced their position in the 20th century, even after a violent, social upheaval.

The Left, however, cannot lay claim to a notable ancestry among Mexico's indigenous Right, supporters of the Porfiriato, or its traditional Revolutionary left. None of its leaders are known to come from either type of family. Thus again the Left's newness is well-established, having no tie to Mexico's recent past.

#### Political Alliances

Family backgrounds are not only important indicators of past influence and ties to establishment politicians, but they also suggest connections opposition and establishment leaders have with

other politically active groups. In Mexico, two such important groups are intellectuals and businessmen. Intellectuals historically have followed government careers in significant numbers, serving as close collaborators of the Mexican state. Since 1968, Mexican intellectuals began to move away from government service into academia and other, independent occupations. Nevertheless, because so many prominent intellectuals have held public positions, one would expect family ties between Mexican intellectuals and prominent politicians to be rather strong. Actually, however, fewer than three percent of Mexico's establishment politicians are known to be related to members of the intellectual elite. Interestingly, however, the Right's kinship ties to intellectuals are stronger, twice as frequent as those of establishment politicians. This is a surprising finding because Mexico's intellectual community is weakest, ideologically speaking, from the Right. One suspects that an important explanation for the relatedness between politicians of the Right and notable intellectuals is their comparable urban and high socio-economic backgrounds.

Intellectuals with leftist sympathies have been prominent in the establishment of left-of-center opposition parties. For example, Narciso Bassols, Vicente Lombardo Toledano and Victor Manuel Villaseñor, all of whom followed distinguished public careers, founded the Popular Party, later the Popular Socialist Party. More recently, several intellectuals participated in the establishment of workers parties in the late 1970s. Therefore, it is logical to expect many family ties between the intellectual left and the political left. No such relationship exists. The Left has no family ties to Mexico's intellectual elite. This finding suggests, similar to their

lack of ties to establishment political families, that leftist opposition leaders are a fresh group, newly recruited from various sectors of the population.

To many observers of the Mexican political scene, the group exerting the greatest influence on policy making, if only indirectly, has been business. Rhetorically and structurally, business elites have been forced to maintain their distance from the political system. Their exclusion, in both respects, is best illustrated by the fact that the business sector is not represented within the PRI. However, because top businessmen individually and collectively exert considerable influence over economic decision-making, analysts suspect that ties between Mexican entrepreneurs and government leaders are strong. Family relationships between the two groups do not support this suspicion since only 3% have known relationships to Mexico's economic elite.

The Right's social relationship to the private sector should be quite strong. They both share similar ideological attitudes, and evidence exists, especially recently, of direct financial support from top business leaders to rightist parties' political campaigns. Furthermore, some entrepreneurial families, especially from Monterrey, have not hidden their affiliations with PAN from public view. Many prominent businessmen, for the first time, are running as PAN candidates for federal deputies in the North. The evidence bears this relationship out. Thus, of all the family ties between a political organization and occupational group, that between the Right and business is strongest. Seven percent of the Right's leadership has known kinship ties to Mexico's most powerful economic families.

Leftist opposition leaders predictably have no relationship

through family ties with the private sector. None of their leaders were known to be related to prominent entrepreneurial families.

Several general conclusions can be drawn about the interrelationship of political leaders to intellectual and business leaders. The most well-connected political leadership, measured in terms of family ties among cultural and business elites, is the political Right, 11% of whom have ties with one or both elite groups. This fact is striking in that it is double the political establishment's own ties. The higher proportion of family ties to intellectuals among the Right is most surprising. Such a relationship may foretell a stronger alliance between intellectuals and political opposition from this ideological perspective, an alliance beneficial to the political Right.

The fact that the Left is completely divorced from the establishment and right-wing leadership in having elite family antecedents suggests that it is the most unique among political parties today. The Left should be given closer attention, not because of its electoral strength, but because it represents an opening of the political recruitment process in the 1980s. A generation or more must pass to see if the Left will establish the same ties with traditional leadership groups, whether governmental, economic or intellectual, that have existed with the Right or contemporary establishment politicians.

Social contacts through kinship ties are only one means of elite integration. Career experiences also determine access to other groups. Such experiences can be significant in facilitating special skills, especially brokerage skills useful in dealing with mass-based or special interest groups. Politically speaking, the most important

occupational interest groups in Mexico have been: business, labor and the military.

Each of the three political leadership groups have had some experience in the private sector, but in no case have successful Mexican business types been attracted to political careers. Most politicians in Mexico, regardless of ideological conviction or party membership, are professional people. Despite the small numbers of prominent businessmen within each group, it is quite obvious that the degree of ideological sympathy each political faction shares with the private sector correlates with the proportion of businessmen found among their leaders. Again, the Left has very few leaders with business experience, whereas the Right, among all Mexican politicians, has the greatest ties to private sector interests, having worked in the business community before entering politics. The experiences of governmental leaders fall half way in between the two opposition groups.

In the case of organized labor, establishment politicians still can claim to be the most well-connected since nearly one out of six government leaders pursued labor careers. However, the Left too has strong credentials among organized labor. This fact is important for several reasons. A group critical to the legitimacy of the present political system and its leadership is organized labor. Any opposition party claiming support from this group is battling PRI where it needs most to maintain its supremacy. Since most of the urban population as yet is unorganized, they provide fertile ground for political organizing. Furthermore, many middle class professions, especially education, are organized into unions, and the Left has already demonstrated some success among these employees, particularly

at the universities.

Mexico's Right has absolutely no contact with organized labor. Ideologically, this posture is consistent with its criticism of organized labor as corrupt and its sympathies towards business interests. Yet in other Latin America countries, Christian Democratic parties, sharing philosophical similarities to PAN, if not the PDM, count much of their strength among organized labor. Although 5% and 1% respectively of the working class say they are members of PAN and the PDM, the Right has done very little to increase its support among the working class. The Right, by confining its contacts to middle class professional sectors and business, limits its potential support from other groups in the 1980s and 1990s.

The Left has the greatest potential for exploiting a political weakness in Mexico's current leadership. If we limit establishment politician only to those holding cabinet-level posts, in Mexico those figures exerting the greatest influence on decision-making, contact with labor is quite small. For the group who will dominate these posts in the 1980s, a mere 2% have labor experience. As I have argued elsewhere, the lack of experience with organized labor is a primary weakness of establishment politicians, one which the Right cannot use to its advantage. The Left will be unable to exploit this advantage in the future if their youngest leaders continue to follow in the footsteps of establishment politicians. None of the Left's leaders born after 1940 have union posts in their backgrounds.

Our data suggest some very clear patterns about the direct influence of, and experience which opposition politicians have had with, the officer corps. The fact that the Left has had no experience with the military is no surprise. What is notable,

however, is that the Right too has had little contact. Unlike Latin American countries where retired officers pursue political activities among conservative parties, the Mexican Right offers little opportunity to the military. This fact illustrates, to some degree, the uniqueness of Mexico's military and the degree to which it has subordinated itself to civilian authority. But more importantly, the military has yet to involve itself closely with any opposition party, thus limiting its political role to bureaucratic, institutional channels, or to an extra-legal coup. The military as a political actor, however, is so isolated from politically active groups that its potential allies presently are limited to dissidents within governmental leadership.

#### Education, Political Skills & Ideology

Among establishment politicians the most important agent of recruitment, and a significant determinant of their values and political skills, has been the specialization, level and location of leaders' education. Recent analyses also suggest similar influences for Mexican army officers and intellectuals. One of the major changes in Mexican education during the last ten years is the rapid expansion of private secular and parochial schools at the primary and secondary level. Mexican studies suggest that even at these levels the impact on political values are substantial. Recent studies of private education in Latin America clearly demonstrate the distinct orientation between private and public institutions at all levels in Mexico.

Most Mexican private primary schools are affiliated with the Catholic Church or its religious orders. Politicians educated in

these schools are beginning to receive, contradictory to the educational provisions of the 1917 Constitution, ideological orientations different from products of public schools. Moreover, much larger numbers of intellectuals and business leaders have attended these same schools than have establishment politicians. Right-of-center and younger establishment political leaders are associating with each other and are being influenced by values contradicting the official political rhetoric. Thus, a division in the backgrounds of establishment political leaders is producing one set of individuals who have more in common with the background of many rightist politicians than with their immediate peers. Traditionally, however, the educational backgrounds between the Left and the establishment are much more compatible.

A small number of Mexican institutions are responsible for educating political leaders, and those institutions predominantly produce one type of leader versus another. For the Left, two institutions have been notable: the University of Michoacan and the National Polytechnic Institute. The IPN produced many left-of-center figures within the political establishment, some of whom formed the first leftist political factions establishing the Popular Party, later the most important single source of PSUM leaders.

More opposition leaders from the Right than from the Left or the government attended private universities, which account for a small proportion of all college graduates in Mexico (only 10% in 1970). Two institutions are important as sources of right-wing politicians: the Monterrey Technological Institute of Higher Studies (ITESM) and the Free Law School. The first institution is unabashedly connected with the private sector, founded by leading entrepreneurs in Monterrey to



produce a rigorously trained and technological competent managerial elite. But the most important institution for the Right has been the Free Law School, the oldest private university in Mexico. The Free Law School has produced prominent establishment politicians, and was created at the instigation of students attending the National University during the revolutionary decade. It was important to leaders from the Right because law, as a professional discipline, has been much more prevalent among all types of political leaders. As the leading independent law school, the Free Law School produced several generations of PAN militants. As economics replaces law in importance, it is likely that greater numbers of politicians with right-of-center sympathies will come from the ITESM, the Autonomous Technological Institute of Mexico, and Ibero-American University. Of lesser importance to the Right is the University of Guadalajara and the University of Puebla, both located in communities traditionally strongholds of the Mexican Right.

On the undergraduate or professional school level, politicians from the Right have attended United States universities in far greater numbers than establishment or leftist politicians. The influence of United States educational methodologies is playing a more significant role on Mexican government leaders today than in the past. This influence can also be found among opposition leaders from the Right. Although the establishment politician's initial college degree is taken in Mexico, one-fifth of all government leaders pursued graduate work, 68% of those in the United States and Europe. Opposition leaders from the Right emulate this trend closely, although only one-sixth continue graduate studies, and only 47% of those travel abroad for their training.

The Left, however, experiences graduate work in smaller numbers, with 7% continuing their formal education beyond a professional degree. More importantly, not one of their numbers has studied abroad. This finding is significant in that it indicates the indigenous quality of the intellectual training of party leaders from the Left. Furthermore, whatever views most leftist leaders share of the United States, they are not based on any long-term residence there.

#### Executive Summary

##### Opposition Leadership

Opposition politicians share many characteristics with their establishment peers. Among the most important is that the majority of them tend to come from urban backgrounds, that Mexico City is overrepresented in their backgrounds, that each group is a well-educated elite, that many of them are graduates of and teachers at the National University, and that none of them have strong ties, measured according to occupational experience, with the military.

The significance of these homogeneous characteristics is that the political leadership shares little in common with the average Mexican of comparable age, who comes from a rural background, who does not live in Mexico City in such large numbers, and who has not attended, taught at or graduated from college. A sharing of similar backgrounds with the masses is not as significant in a society in which participation is limited. But as the structural reforms which produced the growth of opposition movements take effect, then more emphasis on the relationship between constituencies and their leaders

will occur. Mexico's politicians from all ideological perspectives have little in their background on which to build and strengthen their ties to the masses.

Opposition leaders demonstrate more important differences between each other, and with establishment figures, than they do similarities. For the Mexican Right, several characteristics are important to understand. As an opposition group, they come closest to being a "loyal opposition" to the extent that they are more closely tied to the establishment political elite. Moreover, the data further demonstrates that the Right has many kinship ties to leading economic and intellectual elites, even moreso than the establishment politician.

Such ties are significant because they imply that the Right can draw on allies from two traditionally influential groups. Not only does the Right have a potential source of financial support, but it shares certain vested interests with other, established groups. The Right and the establishment have much more in common with each other than each would want to publicly admit. Thus, in future times of political crises, if an unexpected change in leadership were to come from within the establishment, especially if it were conservatively oriented, it could easily find support from the Right.

The Right's orientation stems in part from its strong ties to private education. This education affects only a minority of Mexicans. But as establishment leaders themselves move away from public education, an important group of government leaders are being formed who share more strongly the experiences and backgrounds of the Right.

The Left, however, offers a generally different set of

characteristics from both the Right and the establishment. On the whole, it has little relationship to the establishment, either through its family ties, its class background, or to a lesser extent, its career and educational experiences. The strength of the Left is that it comes from a lower socio-economic background. This background is translated into a strong affiliation with organized labor. It is also the reason why leftist leadership continues to attend public, rather than private schools, a choice most working class Mexicans must follow.

The distinguishing characteristics of the Left separate it both from the Right and the establishment. It is truly an independent set of leaders in the sense that it has few ties to establishment groups, whether they are political, economic and intellectual. This independent quality makes them politically more unpredictable. They do not have vested interests to protect, at least not to the same extent as both the Right and the establishment. On the other hand, they are the most isolated of political leadership groups in their potential ability to find ready allies. Thus, their independence is both a strength and a weakness.

#### Sources of Electoral Support for the Left and Right

The only group with the power to successfully implement an extra-legal change in Mexico's political leadership is the army. The army does not have the expertise, numbers, organizational ability, or mass support to accomplish this alone. But among potential allies, the Right structurally has no advantage over the Left since both have little direct ties to the military. Although the political establishment cannot make a much better claim for similar ties to the

military, its day-to-day working relationship over many decades gives it an advantage. But in a crises situation involving a change in the present political system, during which new alliances might be formed, none of the three existing groups has any substantial advantage in initiating such an alliance, although ideologically the Right and the establishment share more in common with the military.

Politically speaking, on the basis of leadership characteristics and ideological appeal, political opposition in Mexico is competing strongly against one another in urban centers, where the government is at its weakest. Whereas the Right has done the best against the PRI in these districts, the Left has the greatest potential for exploiting the weaknesses of the government's leadership, its urban, middle-class bias. But the Left has been unable to exploit its strong ties to organized labor or indeed translate them into votes for its candidates because its grass roots support and the source of its leadership is unevenly distributed throughout the republic. The Right is equally ill distributed, for example, producing strong leadership and support from the Federal District, but not as yet having a national leader from Veracruz, one of Mexico's most populous states and a traditional PRI stronghold.

#### The 1985 & 1988 Elections

In the past, PRI has maintained its support by converting support from a large group of voters who are non-aligned. During this same period, PAN was able to gain new supporters by converting non-aligned voters and former supporters of PRI to its banner. The expansion of parties on both the Right and the Left increases the electorate's choices. The electorate has become more partisan, and

the trend towards increasing abstention temporarily has been reversed. But the present Right and Left may have exhausted the limits of their ideological appeals. If so, other leaders, with a different political philosophy, and with support in rural and urban areas, will provide the only effective opposition to the political establishment in the 1990s.

Prior to the elections of July, 1985, the official party publicly admitted that competition would be stiff in 127 of 300 districts where the opposition was strongest in 1982. The head of the PRI in the Federal District declared that 14 seats were critical, 8 semi-critical and an additional 8 would be difficult to win. These declarations are more than an admission of the political reality, they seem to suggest that the PRI was accepting a situation in which it would give up some important congressional districts in 1985. It is also a psychological strategy similar to the one pursued by Jesus Silva Herzog concerning the state of the economy, in which public officials present the worst possible scenario so that whatever the results, they will seem better than expected.

A careful analysis of the votes on a district by district basis between the 1979 and 1982 elections reveals some important trends. For example, in the Federal District, potentially, there are 39% more voters in 1985 than in 1982. The difficulty is that the majority of these voters are very young, and according to the official party's own polls, young voters, especially students, are the most undecided in their political sympathies.

In 1985, the official party faced strong competition from the Right, notably the National Action Party. In the eleven districts in the Federal District where PAN received 30% or more of the total vote

in 1982, the social background of the residents is similar: middle and upper class. The PDM, the other right-of-center party, is not important, not only because its support is small and weakly distributed, but because it shows no growth.

The Left was expected to do better in 1985 than in 1982, but its overall strength was hampered by its repeated inability to unify. Instead, PSUM's total vote tallies were down slightly. Quarrels over leadership and ideology have splintered the Left. In only seven districts, five of them in the Federal District, did they agree to run a coalition candidate, and even these did not include all of the parties (PSUM, PMT, UIC, CS). Thus, more than the Right, it competes against itself for votes. For example, the Revolutionary Workers Party, which participated for the first time in the 1982 elections, mainly took votes away from the PSUM, the unified leftist alliance established in the 1979 elections.

There is no doubt that the general economic conditions have contributed to the increased support given to the opposition parties. But, despite the cynicism with which Mexicans greet their political leaders, there is considerable support for many of the government's activities. In 1983, 12% of the Mexican people expressed sympathy for parties of the Right, 7% for parties of the Left, and 55% for PRI. The remaining 26% expressed no opinion. Assuming the figures for PRI have eroded in the last two years, it is difficult to suggest that the Right or the Left will capture the majority of Mexican voters in 1988. Instead, during the next five years, Mexico is evolving into a pluralistic political system, in which the PRI will continue to dominate congressional districts, winning most seats with a plurality of votes, rather than large majorities, except in rural areas. I

predicted that the combined opposition would probably win around twenty districts, barring some unforeseen event, in the July, 1985 elections. In reality, they won ten districts, eight of which went to PAN. A study of the 1979 and 1982 elections shows that the opposition party leadership seriously contested only 3% and 7% of the districts respectively before the Federal Electoral Commission, another indicator of the potential size of the opposition victories.

In the state elections in 1985, regionalism seemed more important than general economic woes. The official party candidates in the seven gubernatorial elections had the greatest difficulty in Sonora and Nuevo Leon. As I suggested above, this is not surprising since the North, and these two states, have been a stronghold of the Right, which did very well there in 1982. If the votes had been counted in a reasonably honest fashion, as the President publicly claimed they would be, Sonora and Nuevo Leon might have presented two interesting test cases.

The Sonora election for the system represents the recent pattern of PRI choosing a cabinet official, a political-technocrat with no elective experience or local ties, as their gubernatorial candidate. A loss there might have helped reverse this trend and engineer a reevaluation among the establishment of the importance of grass-roots political experience. In Nuevo Leon, the PRI's choice reflects a clearer understanding of regional sensitivities. They chose a candidate who has local political experience, is well known in Monterrey, and is a prominent businessman. His candidacy took some of the wind out of his PAN opponent's sails since their credentials were quite similar. A win here and a loss in Sonora, publicly declared or not, sends a message to PRI leadership. The President is aware of the



weaknesses associated with Mexico's centralized leadership, and several of his other gubernatorial choices reflect this concern.

The political legitimacy of the present government, and of the political system itself, will be tested in the 1985 and 1988 elections. By allowing more opposition leaders to take a role in local, state and national offices, PRI not only legitimizes their claim of increased integrity, but allows these parties to share in the responsibility for its failures as well as its successes.

The establishment can deal with the expanding opposition in a sophisticated manner. In the first place, a PAN governor is not a real political threat. As a governor, he must rely on the assistance of federal authorities to implement state programs. PRI officials have repeatedly denied adequate revenues as an obstacle to opposition-controlled administrations on the state level. In February, 1985, the government began discussions with the opposition parties in anticipation of a change in the plurinominal system used to assign the 100 additional seats in the Chamber of Deputies. Essentially, the government proposes to allow the smallest parties to gain more seats, with a corresponding reduction in seats among larger opposition parties. This proposal has elicited a pleased response from the PDM on the Right, as well as the PRT, PST, and PPS on the Left. The PAN and the PSUM are expressing strong opposition to the proposed change.

Some violence should have been expected after the results of the 1985 elections. It should be remembered, however, that election violence has been common to the North in the past, especially in Sonora. It is highly unlikely that such outbursts will lead to serious political instability in 1988, unless economic conditions

continue to worsen after 1985, and Mexicans primarily tie their political choices to leaders they believe can alter the economy's health. A deep-seated value continues to exist among most Mexicans, especially among middle and upper-class Mexicans, many of whom provide the bulk of support for PAN, that violence is an unacceptable alternative. In a sense, therefore, the present governing class, and its ability to promote political stability, benefits from this value.

#### Opposition and U.S.-Mexican Relations

The United States' relations with Mexico is very much affected by the increasing strength of the opposition, its concentration on the northern frontier, and the posture of U.S. officials towards the various factions. There is no question that Ambassador Gavin, regardless of his intentions, introduced the United States directly into the opposition campaign after his meeting with PAN leaders in the North. The perceived involvement of the U.S. with the political Right has two consequences for Mexico. To some Mexicans, it might appear that the United States recognition of the importance of the Right gives it added prestige in its battle against the PRI. On the other hand, because of strong nationalist sentiments, the official party and many intellectual and media sources see U.S. involvement as manipulative, similar to the recent Mexican-U.S. problems over tourism and drug enforcement. PAN itself perceives the latter point as weakening its appeal, and the party's president has sought publicly to disassociate the party from the U.S. ambassador.

The United States is likely to be affected in several other ways too. Presently, there is a tacit agreement among the parties in the North that none will use U.S. television in their campaigns.

Television and radio advertising is limited to all participants in Mexico. It is possible, however, that in the 1988 election, all parties might not continue to agree to this policy concerning the United States media. Also, the United States government will be forced to make a policy decision concerning individual cases of Mexicans claiming to seek political asylum if many individuals cross the border three years hence, as occurred after the Piedras Negras incident. United States recognition of political exiles in Mexico is tantamount to delegitimizing the political regime. Because of the close interchange between the media in both countries, such a decision will have considerable influence. Increasingly, the United States will be placed in a position of supporting electoral democracy, and the short-term instability accompanying it, versus the short-term stability of a PRI dominated system.

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